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Counterfeiters face war on pirate products, Page 12

World news | Business summary

At least 50 killed in US air collision

AT least 50 people were feared killed yesterday when a passenger jet and a small aircraft collided near Los Angeles.

Witness said wreckage from the airliner fell on to houses, setting at least four on fire.

An air traffic control official at Los Angeles airport said he believed the passenger jet was an AeroMexico airliner on its way to Los Angeles.

A large section of the fuselage of the airliner, identified by airport officials as a DC-9, landed in the back garden of a house in the town of Cerritos.

"The airliner flipped over and went down like a stone," one witness said.

Reporter held as spy

Soviet security police have accused detained US correspondent Nicholas Daniloff of spying following his arrest by the KGB in Moscow.

Daniloff, 52, a reporter for the weekly US News and World Report, was detained on Saturday "as he was engaging in an act of espionage," the KGB said. Page 2

Arms pact 'nearer'

A consensus has apparently developed in the Reagan administration for new arms control proposals which would bring the US and Soviet Union nearer a pact on missile ceilings. Page 16

Non-aligned summit

Leaders of the 101-nation non-aligned movement begin their summit meeting in Harare today facing major disagreements over southern Africa, Latin America and the Middle East. Page 2

Basque protests

Spanish police fired rubber bullets and tear gas at demonstrators protesting in the northern city of Pamplona against France's expulsion of alleged Basque guerrillas.

Leftists bomb office

The leftist Revolutionary Cells guerrilla group claimed responsibility for a bomb that exploded at a West German government office in Cologne, causing damage but no injuries.

Iraq seeks pact

Iraq proposed a non-aggression pact with Iran and called for a guarantee from the United Nations Security Council to make the pact effective.

Kekkonen mourned

Flags flew at half-mast in Finland as the country mourned its former president, Urho Kaleva Kekkonen, who died yesterday aged 85. Obituary, Page 2

Quake casualties

A powerful earthquake in the Balkans caused some casualties and damage to buildings in the Soviet republic of Moldavia and caused panic in Romania and Bulgaria.

Blast kills worker

One worker died and another was seriously wounded in an explosion at the BASF chemical plant in Ludwigshafen, West Germany.

Aden peace call

Ousted South Yemeni President Ali Nasser Mohammed called on the Aden Government to open a political dialogue with its opponents or face a "struggle in all forms" by his supporters.

Chiefs reinstated

The Italian government has reappointed the presidents of the country's two largest state holding companies, ending more than six months of uncertainty. Page 2

Henry Moore dies

Henry Moore, the British sculptor, died yesterday aged 88. Obituary, Page 13

Chinese for space

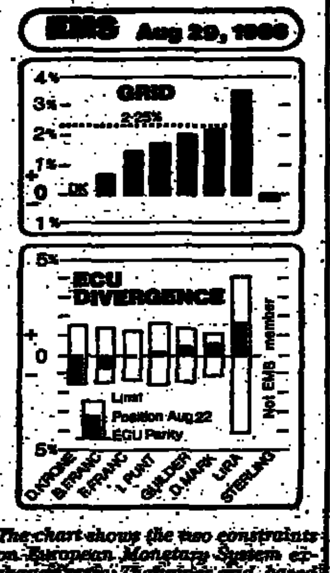
China has begun choosing a team of astronauts and will launch men into space before long, the People's Daily overseas edition reported.

Boliden hit by record losses

BOLIDEN, Swedish metals, chemicals and mining group, has reported a record half-year loss after financial items of SKr 664m ($96.2m) against a profit of SKr 144m for the first half of 1985. Page 17.

PETRO-LEWIS, troubled Denver energy group which in its heyday was the biggest marketer of oil and gas tax shelters to investors, expects to lose $419m in its latest financial year. Page 17.

EUROPEAN Monetary System: The D-Mark continued to rise against its EMS partners last week, creating further strain for currencies like the Danish krone. A cut in interest rates might have relieved the pressure but the West German Bundesbank left its discount rate unchanged after a meeting on Thursday. The D-Mark touched a record high against the French franc, while the Danish krone continued to trade close to its divergence limit.



The chart shows the two constraints on European Monetary System exchange rates. The upper grid, based on the weakest currency in the system, defines the cross rates from which no currency (except the lira) may move more than 2¼ per cent. The lower chart gives each currency's divergence from its "central rate" against the European Currency Unit (ECU), itself a basket of European currencies.

TOKYO share prices closed sharply higher on Saturday after widespread buying amid growing expectations of co-ordinated international discount rate cuts. The Nikkei index rose 253.72 to 18,787.4. Page 27

CHINA: State Council has approved in principle plans for a $4bn steel mill in Ningbo, south of Shanghai, in potentially the largest foreign investment in the country. Page 3

OMAN is to cut crude oil production from 600,000 to 550,000 barrels per day until further notice to co-operate with the Organization of Petroleum Exporting Countries in its efforts to cut global output.

EUROTUNNEL: £200m ($280m) international share placing postponed last month by the Anglo-French channel tunnel consortium is expected to take place in October.

NZ Forest Products, the New Zealand forestry group, and Amcor, the Australian timber company, are to set up a joint venture in Australia to make medium density fibreboard. Page 19

HOPE BROOK, the first gold mine in Newfoundland, Canada, is to be brought to production next August at a cost of C$143.9m ($104.2m). Page 19.

JARDINE MATHESON, Hong Kong trading company, took over Orme and Company, a small London stockbroking firm, as part of a strategy to build up its presence in UK financial services.

ALUSUISSE, Zurich industrial group, has agreed to sell Maremont, its Chicago automotive parts subsidiary, to Arvin Industries of Indiana. Page 19.

WICKES, the US retailing company which has been bidding for Owens-Corning Fiberglas, the world's largest manufacturer of fibreglass products, has terminated its $2.2bn tender offer in view of the recapitalisation plan announced by Owens recently.

US canvasses European support in campaign against Gadaffi

BY DAVID WHITE IN MADRID AND NORA BOUSTANY IN TRIPOLI

PRESIDENT Ronald Reagan's special envoy Mr Vernon Walters is due to hold talks in Madrid today at the start of a tour of European Nato capitals, to explain the grounds for renewed US concern about Libyan terrorist activity and to try to increase economic pressure against Tripoli.

Mr Walters whose itinerary is not being revealed, made a similar tour just before the US air attack against Libya in April. His visit coincides with the presence at Spanish ports of numerous units of the US Sixth Fleet including the aircraft carriers John F. Kennedy and America.

In Tripoli at the weekend, Major Abdel Salam Jalloud, Libya's effective Prime Minister and Col Muammer Gadaffi's deputy, urged Mrs Margaret Thatcher, the British Prime Minister, to bring the Reagan Administration back to its senses and warned that in the event of a US strike, Europe would have to bear the consequences.

Mr Jalloud said a US naval build-up in the Mediterranean, the transfer of 18 F111 bombers from the US to England and what he described as the programming of cruise missiles on Libyan targets indicated that the US was contemplating an attack.

The Libyan official rejected charges that his country was involved in planned terrorist acts against American targets and challenged the US Administration to furnish details on such alleged plans so that the would-be perpetrators could be apprehended and tried.

Mr Jalloud's comments signified Libyan apprehension of possible American military action and a willingness to avert any future confrontation with Western powers.

His challenge to the US, along with a pledge to try terrorists or hand them over to an international court is the first attempt by Libya, even if only for propaganda purposes, to measure up to world standards in combatting terrorism.

In the past Tripoli has simply offered assistance to liberation movements and said that any acts committed by them were in response to their own victimisation by terror.

Now, Mr Jalloud said, it was possible to avoid both terrorist attacks and American aggression.

"If America does not respond positively, we tell you the Libyan people cannot live indefinitely under the permanent threat of organised state terrorism," he added.

In the event of an attack, Europe would have to be dragged into the conflict because it was inconceivable that the US could launch an attack against Libya directly from its own soil. Even if Europe did not will it and its desire was overruled, Europe would be a participant in any aggression, Mr Jalloud said.

During his Spanish visit Mr Walters will meet Mr Francisco Fernandez Ordoñez, the Spanish Foreign Minister, who talked with President Hafez Assad of Syria immediately after the latter's recent meeting with Col Gadaffi.

Spain was one of the European allies to come out most strongly against the US action in April, and is standing by its policy that US bases in Spain may not be used to launch an attack against Libya. Libya is Spain's third biggest supplier of crude oil – providing about 10 per cent of the country's needs last year – and its second supplier of natural gas.

● Morocco announced yesterday that four foreign Arab terrorists who had planned attacks in the country were under arrest. The four had admitted to terrorist acts in Europe and the Middle East, according to the Information Ministry. The arrests follow the visit of Mr Shimon Peres, the Israeli Prime Minister, to Morocco last month

French steel chiefs to go as prelude to restructuring

BY DAVID HOUSEGO IN PARIS

THE CHAIRMEN of both of France's state-owned steel groups, Usinor and Sacilor, are expected to be replaced this week, foreshadowing a further restructuring in the steel industry.

Mr René Loubert, chairman of Usinor, and Mr Claude Dolle, the head of Sacilor, are likely to hand in their resignations at board meetings of their groups today. On Wednesday, following the weekly meeting of the Cabinet, the Government is expected to announce that Mr François Mer, currently the head of Pont-à-Mousson, the pipes and engineering division of Saint-Gobain, will take charge of both groups.

The appointment of a single chairman for the two companies, which have a combined turnover of FFr 85bn ($12.6bn) and employ 110,000 people, does not imply any immediate merger. But it does pave the way for a probable creation of a joint holding company to co-ordinate strategy and marketing.

In line with the more non-interventionist philosophy of the conservative administration of Mr Jacques Chirac, Mr Mer will none the less be expected to devise his own policies.

The changes at the top in the steel industry will be part of a further wave of changes among the heads of nationalised groups and banks to be adopted at Wednesday's cabinet meeting.

A further casualty will be Mr Michel Hug, the head of Charbonnages de France, the state-owned coal group, who is also expected to resign today.

The reshuffle in the steel sector comes at a time when the two groups are expected to make further losses this year of FFr 4bn after last year's combined losses of FFr 8.9bn.

A report commissioned by the Government from Mr Jean Gandois, now head of Pechiney, the aluminium group, warned that the French steel industry would have to cut production to 16m tonnes a year by 1990 from last year's 19m tonnes and reduce the workforce by a further 25,000 to 50,000. Mr Gandois had been earlier called in by the Belgium Government to help put Cockerill-Sambre, the Belgian steel producer, back on its feet. He declined the offer of Mr Chirac's Government to run the French steel industry.

In his report – which has much influenced Government thinking on steel – Mr Gandois cast doubts on the industry's own forecasts of a return to profit by the end of next year. He also warned that it would need further financial assistance. The two groups have debts and provisions of over FFr 25bn.

One of the key questions facing Mr Mer when he takes over will be whether to proceed with a restructuring on a national basis or as part of a rationalisation that would take in Luxembourg, West German and Belgian interests.

Mr Claude Dolle, the current head of Sacilor, had favoured the latter solution. He had signed an agreement that would give Sacilor control of Arbed Saarstahl, the loss-making West German subsidiary of Arbed, the Luxembourg producer. Sacilor already has a German subsidiary in Dillinger Hütte.

Mr Gandois has strongly advised against taking over Arbed Saarstahl on the grounds that either the French Government would have to pump money into the West German steel industry or that a joint rationalisation would accelerate job losses in France. Arbed Saarstahl produces long products – construction steel, bars and rods – in competition with French mills in Lorraine in eastern France.

Rationalisation in recent years has already provided Usinor and Sacilor with a unified management structure for their engineering and special steels divisions.

Italy reappoints heads of state groups, Page 2

Volcker says trade imbalances untenable

By Alan Friedman in Venice

PROSPECTS for world economic growth would be jeopardised unless there is collective action on economic policy and in particular on trade, Mr Paul Volcker, chairman of the US Federal Reserve Board, warned yesterday.

Speaking in Venice before a gathering of top politicians, central bankers and businessmen, Mr Volcker said a basis for continued economic growth existed, but that there were "deep fissures in the world economy."

He cited in particular the financial imbalances caused by the US trade deficit. Referring to last week's news of a US$18bn record US trade deficit for the month of July and record surpluses in Japan and Germany, he declared that the situation was "unsustainable."

Warning of the dangers of protectionism in the US, he added: "When destructive protectionist measures are proposed by responsible people, then we should know we are in trouble."

The US Fed chairman warned that trade problems "cannot be cured merely by negotiation." He said the international imbalances were also a function of domestic imbalances, such as the dichotomy between a low US savings ratio and the much higher level of savings in Japan and Germany.

Mr Volcker said that signs of economic growth in Japan are "ambiguous at best," and that there were signs of uncertainty in the West German economy as well. While individual countries could not be expected to act out of altruism, there was a great need for what he called "collective economic adjustment."

"We all have to look at the implications of our actions in a world context," he said.

Commenting on the US economy, he said that "sluggishness" was contributing to a decline in the rate of US investment. Both Europe and Japan had enjoyed export-led growth for many years.

Mr Volcker did not make any explicit reference to the unwillingness shown by monetary authorities in Bonn and Tokyo to follow the US lead last week in reducing the discount rate.

Argentina plans harsh measures to curb inflation

BY TIM COONE IN BUENOS AIRES

THE ARGENTINE Government has moved to take rapid control of surging inflation with a package of measures including a further 3 per cent devaluation of the currency, a 1 per cent reduction in interest rates and increases in utility tariffs of between 3 and 10 per cent.

Announcing the measures, Mr Juan Sourouille, the Finance Minister, said the Government planned to impose more rigid control on price rises of industrial goods and on inflationary wage demands.

Until three weeks ago, prices and the exchange rate had remained reasonably stable following the implementation of the government's Austral plan for economic stabilisation, in June 1985. But the announcement of a 6.8 per cent rise in the consumer price index for July sent confidence tumbling and led to heavy buying of foreign currency and to widespread speculative price rises in consumer goods. The official inflation rate for August is expected to be close to 10 per cent.

Mr Sourouille blamed seasonal food shortages, recent wage rises and inflexibility in the supply of goods for the sudden leap in prices, as well as inadequate government controls over money supply.

The appointment last week of Mr Jose Luis Machinea, the new central bank chief, who closely shares Mr Sourouille's views on economic policy, is expected to result in a much tighter monetary policy. Interest rates are to be reduced in line with reduced inflationary expectations during September, but the central bank is to absorb a greater proportion of bank deposits, thereby tightening credit availability.

The austral has been devalued by 12.1 per cent against the US dollar since the beginning of August in a series of six mini-devaluations, which will continue "as long as necessary" according to Mr Sourouille. Industrial prices are to be allowed to rise by only 3 per cent during September, a rate to be reduced to 2 per cent by December.

Existing wage agreements, which partly compensate for the earlier inflationary erosion of salaries, are to be respected, but Mr Sourouille insisted that there will be no return to an indexation of wages which, he said, had fuelled earlier inflation cycles.

The implication is that the loss in real wages during July and August will not be compensated. This is bound to upset the main trade union body in Argentina, the CGT, whose secretary general, Mr Saul Ubaldini, said last Friday that real wages had fallen by 27 per cent since the introduction of the austral plan, not counting the fall during August.

Mr Sourouille meanwhile warned that Argentina is to take a tougher stance in coming talks with the IMF and foreign banks to refinance interest payments coming due on its $50bn foreign debt.

"Growth of the economy is not negotiable as it is the only way out of the foreign debt problem," he said, rejecting deflationary measures. He said that for the first time Argentina was entering renegotiation talks without overdue debt service payments: "Now we will not be discussing an emergency programme but an integrated plan of growth".

He said he expected the foreign banks to accept a "substantial" reduction charged on the refinancing packages, long-term refinancing of scheduled payments covering more than one year, and in addition fresh loans to finance new developments and economic restructuring projects.

Brokers to seek Tin Council liquidation

By Andrew Gowers in London

ELEVEN LONDON Metal Exchange trading companies are to ask the High Court in London to order the International Tin Council to be wound up.

The metal brokers, who claim that they are owed up to £400m ($596m) by member governments of the ITC, decided at a meeting on Friday of Tinco Realisations – set up to recover the debt – to petition the High Court for the appointment of an official liquidator as the first legal step against the ITC's 22 member states.

The case is expected to reach the High Court in November.

The liquidator would be responsible for establishing the full extent of the ITC's liabilities, which run into hundreds of millions of pounds, following its effective default in the tin market last October, realising any assets, which are believed to be minimal, and collecting the shortfall from the member states.

Mr Michael Arnold, senior partner with accountant Arthur Young, who is co-ordinating Tinco's work and may eventually be appointed liquidator if the petition is successful, said yesterday: "The advice we have is that the High Court definitely has the power to order the Council to be wound up."

A statement from Tinco reiterated that it had received "strong legal advice" that the member states of the ITC, an unincorporated body in UK law, were liable for its debts.

The action stems from the collapse in October of the ITC's price support operations in the tin market. Tin prices subsequently crashed to less than half of their previous level, and metal traders and banks, which had been extending credit to the Council, were left with huge debts.

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Montedison moves closer to gradual takeover of Fermenta

BY ALAN FRIEDMAN IN MILAN AND KEVIN DONE IN STOCKHOLM

MONTEDISON, the Italian chemicals group, appeared last night to have made important progress towards reaching an agreement with Mr Refaat El-Sayed, chief executive and majority shareholder of Fermenta, which would allow Montedison to take gradual control of the Swedish biotechnology company.

At the end of a weekend of intense negotiations in Milan, Montedison last night announced that significant progress had been achieved. In Italy, it is believed that a formal agreement could be concluded shortly.

Montedison's takeover of Fermenta was agreed early in July, but last Monday Fermenta's Swedish trade unions, whose approval is required for the deal to go ahead, rejected it. This was followed by a hectic round of negotiations which saw the Egyptian-born Mr El-Sayed fly into Milan late last Monday night. A top level Montedison delegation followed him back to Stockholm on Tuesday for more talks, returning to Milan on Thursday. The unpredictable Mr El-Sayed flew again to Italy on Friday and spent the weekend in negotiations before jetting back to Stockholm early yesterday morning.

Montedison said yesterday that the Swedish trade unions' request that it acquire only an initial minority shareholding in Fermenta and then build up gradually its controlling stake "will be satisfied."

The Italian group also said it had agreed to buy a packet of Fermenta "A" shares which carry the most voting rights. It disclosed that it would then "have the option of buying further shares." The size of the initial equity stake to be bought from Mr El-Sayed was not disclosed.

Montedison commented on the offer made last Wednesday by Swedish institutions to buy into Fermenta by saying that "both parties (Montedison and Mr El-Sayed) are examining the possibility of Swedish partners taking a shareholding as well."

The Italian group further stated that it is exploring with Mr El-Sayed the possibility of each side acquiring unspecified "non-strategic" assets from one another. This could mean that Fermenta's Italian drugs subsidiary, Pierrel, might be acquired separately by Montedison.

To add to the already substantial confusion surrounding the Montedison-Fermenta talks, Mr El-Sayed, expressed surprise in Stockholm last night that Montedison had made public details of the weekend negotiations, saying these items

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OVERSEAS NEWS

US journalist held as spy by KGB

BY PATRICK COCKBURN IN MOSCOW

THE KGB, the Soviet security police, yesterday announced that they had arrested Mr Nicholas Daniloff, the Moscow correspondent of the weekly magazine US News and World Report, for espionage.

The state news agency Tass said material confiscated from Mr Daniloff revealed, "the US correspondent to be involved in intelligence activities." It said an investigation into the case was being carried out.

The arrest of Mr Daniloff is likely to sour US-Soviet relations in the weeks before the meeting between Mr Eduard Shevardnadze, the Soviet Foreign Minister, and his US opposite number Mr George Shultz in New York this month, which is seen as crucial for the arrangement of a superpower summit.

Mr Daniloff had earlier telephoned his wife from a police station to say he was arrested on Saturday after he went to meet a Soviet friend who gave him an envelope said to contain newspaper clippings.

As he walked away he was arrested by eight KGB agents and the envelope was then found to contain two maps marked "top secret."

Ruth Daniloff said her husband's detention was probably in retaliation for the arrest for espionage of a Soviet employee of the United Nations in New York. She said: "This was a typical set-up. A tit-for-tat sort of thing."

Mrs Daniloff and two US consular officials visited Mr Daniloff in a military prision in Eastern Moscow yesterday. She said no formal charges had been made against him but there was no indication of when he might be released.

In Washington, a State Department spokesman said: "It is clear that the grounds on which he is detained are contrived. We have thus lodged strong protests at high levels here and in Moscow in which we have rejected any suggestion that Daniloff may have engaged in activities incompatible with his status as a journalist and demanded his immediate release."

Mr Daniloff, for 5½ years correspondent for the US magazine in Moscow, was to end his assigoment next week.

According to Mrs Daniloff, her husband had been contacted on Saturday morning by a 27-year-old teacher from Frunze, the capital of Kirgizia in central Asia, whom he had met four years before. "Since then Nick had seen him five or six times. He certainly trusted him," she said.

He gave the friend some novels by Stephen King, the American horror story writer, and in return received an envelope of clippings from newspapers in Frunze.

New Nasa rocket has 'military payload'

By Nancy Dunne in Washington

THE US space agency, beset by morale problems and rocket failures over the past year, is preparing for its first major lauach in four months.

The National Aeronautics and Space Administration (Nasa) has scheduled Thursday for the launch of a Delta rocket carrying a secret military payload, according to Aviation Week and Space Technology magazine.

It is believed that the rocket will carry an experiment for the Administration's Anti-missile Defence Programme which will investigate the tracking of missiles with infrared sensors. The missiles would then be destroyed by a collision with a high-speed projectile.

The Delta rocket is one of the last three possessed by Nasa. Another Delta, carrying a weather satellite, exploded on May 3, probably because of a short-circuit in its main engine.

The last two remaining Deltas will carry another weather satellite and possibly an Indonesian satellite

The Delta rocket has a long history of reliability and Nasa officials will be watching the launch anxiously.

Japan fears earthquake repetition

BY IAN RODGER IN TOKYO

TODAY is the most frightening day in the Japanese calendar, the 63rd anniversary of the Great Kanto Earthquake of 1923 in which some 150,000 people lost their lives and Tokyo was razed.

An earthquake of the size of the 1923 one is overdue, some experts say, and its anniversary, known as Disaster Prevention Day, provides a chilling reminder that the next one is probably close.

Some say that it is possible to detect a rising level of anxiety among the Japanese people as each disaster-free year goes by. However, the Government's Disaster Prevention Bureau says most people have still not bothered to translate their anxiety into sensible precautionary measures.

"Few people even realise how fast fire can spread," says Mr Mitsushi Kojima, senior planning officer for the bureau. Fire is a major worry for the planners. It is estimated that fewer than 5,000 of those killed in the 1923 disaster were victims of the earthquake itself. But more than 140,000 were killed in the subsequent fires. "Today, there are fewer wooden houses than in 1923, but gas and electricity are much more widely used in homes and offices, so the fire risk is still high," says Mr Kojima.

Thus, Government agencies mount a massive effort every year at this time to try and stir people into action, with drills and demonstrations staged all over the country.

On Friday, for example, an evacuation drill involving 4,000 people and six fire engines was carried out at a leading department store in Tokyo. Last night, the Charlton Heston epic, Earthquake, was shown on prime time television.

Prime Minister Yasuhiro Nakasone, a dab hand at putting out political fires, will today put out a real one at a house in Atsugi, a small city about 80 miles south-west of Tokyo. Atsugi is close to where scientists fear Japan's next major earthquake will occur. Around 1,000 minor tremors occur every year.

For several years, planners have focused their attention on the Tokai area 150 km south-west of Tokyo. Under this area, where some 3.6m people live, the Philippine sea plate is slowly colliding with the Asian plate.

Earthquake prediction is a difficult business, but the Japanese have attacked it with typical thoroughness, spending about Y5bn (£122m) a year on research. There are hundreds of sensors installed around the Tokai area—one even on the seabed—and all are connected to the meteorological office in Tokyo.

Mr Kojima said scientists were sufficiently confident of their ability to read the data from these instruments that they could give from one to three days warning of an impending disaster.

The authorities have worked out a highly detailed plan for informing people and then evacuating them in an orderly way if such a warning comes. They have also planned the aftermath of a disaster, with the emphasis on re-establishing water, communications, electricity and gas lines as quickly as possible.

For all the planning it is impossible to predict what will happen in the event of a major earthquake. Much will depend on whether it happens at night or in the day time, in summer or winter or even if there is a strong wind blowing at the time.

AN EARTHQUAKE centred in eastern Romania rocked the Balkans on Saturday night, causing casualties and damage in neighbouring Soviet Moldavia and panic in Bucharest and the Bulgarian capital, Sofia, Reuter reports from Vienna.

The quake, measuring 6.5 on the Richter scale, was centred on the Vrancea mountains, 110 miles north of Bucharest and close to the Romanian oilfields devastated by a tremor in 1977.

The Soviet news agency Tass said the quake had caused casualties and damage in Moldavia and tremors were felt in the capital, Kishinev, 120 miles from the epicentre. There were no immediate reports of casualties in Romania.

Italy re-appoints heads of top state groups

BY JOHN WYLES IN ROME

THE Italian Government has ended more than six months of uncertainty surrounding the top jobs at the country's two largest state holding companies, Iri and Eni, by reappointing as presidents for another three years Mr Romano Prodi and Mr Franco Reviglio.

Their terms of office expired in the first two months of this year and both men have since been kept in a contractual limbo by tortuous politicking over public appointments within the ruling five party coalition.

This process, known as "*lottizzazione*," is designed to ensure that the economic and industrial power of the state is appropriately shared out between the parties according to their relative strengths.

However, the parties appear to find the task almost impossible. Messrs Prodi and Reviglio have waited only a few months for new contracts. Some of the presidential and board level jobs at around 250 banks and savings banks have been left unfilled or waiting for renewal for up to 10 years.

Banking supervisors at the Italian central bank acknewledge with concern that management of some of the smaller regional savings banks must have suffered as a result. They are less worried about the impact on the likes of the Bank of Naples and the Bank of Sicily whose presidents have long been working on in the expectation that some time their contracts will be renewed.

Mr Bettino Craxi, the Socialist Premier, wants the reappointments at Iri, whose interests run from banking to steel, and Eni, the state energy company, to be seen as showing a new decisiveness which he aims to be the keynote of his second government.

Vacancies at the top of the Court of Accounts, the watchdog over government spending, and the Guardia di Finanza, the Government's fiscal police, were also filled at the end of last week. But the parties have still not agreed on the composition of Eni's management board nor on who should finally run Enel, the state electricity company, and Ina, the insurance holding company.

The reappointments of Messrs Prodi and Reviglio proved in the end to be a happy solution for both political and industrial requirements. Having clashed with Mr Prodi over several major issues, including privatisations, Mr Craxi would have been happy to have sent him on his way.

But the Iri boss's position was underpinned by the strong backing of the Christian Democrats and a record in office which has brought Iri from losses of L2,600bn (£1.23bn) in 1982 to a predicted small operating profit this year.

Mr Prodi's reappointment was perfectly counterbalanced by that of Mr Reviglio, the Socialist Party's nominee, who has led Eni out of losses of L2,100bn (£1bn) to a L814bn profit last year.

Chinese party secretary attacks reform opponents

BY ROBERT THOMSON IN PEKING

CHINA'S Communist Party general secretary, Hu Yaobang, has launched a strong attack on local officials who have frustrated the country's ambitious reform programme either by doing nothing or by taking action which is harmful to it.

Hu's statement comes in the midst of a campaign to set an agenda for political reform and on the eve of a crucial meeting of the Communist Pary's central committee.

Hu said the party and Government had "long made decisions on certain things but not all of these decisions have been put into effect." He cited the practice of leasing small enterprises to individuals which was approved in 1984: "some localities did just the opposite" last year.

A campaign in recent weeks has attempted to protect factory managers who have apparently been under attack by local party officials jealous of the power they have won under reform. Numerous cases of false accusations against managers and in some cases, even the dumping of managers have been reported.

Diplomats believe the political reform undertaken by the Government will be limited in scope, but are certain that any move to take more power away from the party will upset the officials.

Splits likely as heads of non-aligned nations meet

BY TONY HAWKINS IN HARARE

LEADERS of the 101-nation non-aligned movement begin their summit meeting in Harare today facing major internal disagreements over Southern Africa, Latin America and the Middle East. At their preliminary meeting last week, more than 50 foreign ministers were unable to reach agreement on the wording of the planned Harare Declaration on Southern Africa and the Iran/Iraq war.

The foreign ministers have left the final wording to the heads of government meetings at which some 50 heads of state are expected to be represented. African leaders are unhappy about the present wording which is not sufficiently sweeping in its call for mandatory comprehensive sanctions against South Africa, while the divided Arab states are struggling to find an acceptable compromise over the Gulf war.

There is a poor turnout of Arab leaders, and although all the Middle Eastern countries—except Israel—are expected to be represented, only Algeria has sent its head of state.

A third divisive issue is the Nicaraguan bid, supported by President Fidel Castro of Cuba who is attending the summit, to take over the leadership of the movement after Zimbabwe Prime Minister Robert Mugabe's three-year tenure.

Oman to cut crude oil production from today

OMAN yesterday announced a cut of 50,000 barrels per day (bpd) in its crude oil production starting today until further notice, Reuter reports from Bahrain.

The Petroleum Ministry said the decision was taken "in a desire to co-operate with member states of Opec (the Organisation of Petroleum Exporting Countries) and its efforts to stabilise the oil market."

Oman, which has been producing 600,000 bpd, does not belong to Opec, whose 13 members today begin a two-month cutback in global output, to 16m bpd in an effort to push up prices.

Chinese auction

China's first bankrupt company is to be sold off in the nation's first property auction, AP-DJ reports from Peking. Any work unit or individual will be entitled to bid for the aluminium products factory in Shenyang. A date for the auction in the north eastern Chinese city has not been set. The plant has fixed assets of 302,000 yuan (£54,000).

US car sales rush

US car buyers swarmed dealers nationwide on Friday after General Motors and Ford announced 2.9 per cent financing on slow-selling 1986 models, and Chrysler dropped rates even lower, AP reports from New York.

"It has just been overwhelming," said one Kansas salesman. "It's like the new cars have come out, with everybody on the showroom floor."

Bolivian workers strike

Bolivian factory and construction workers joined students in a 24-hour strike at the weekend to demand the freedom of 162 government opponents, mainly trade unionists, arrested under a government state of siege.

Morocco accused

Libya said yesterday that the abrogation by Morocco's King Hassan of a unity pact between the two countries was illegal. Libya and Morocco signed the accord in 1984 and its main results were a halt to Libyan support for Polisario guerillas fighting Moroccan troops for control of the Western Sahara and an influx of some 20,000 Moroccan workers to Libya. The Moroccan King ended the treaty after Libya, in a joint communique with Syria, called his meeting last month with Israeli Prime Minister Shimon Peres an act of treason.

Egypt in IMF talks

Egypt and the International Monetary Fund began this week a critical review of developments in the Egyptian economy and ways in which the fund might help solve the country's problems, writes Tony Walker in Cairo. Egypt has been seeking a standby credit of about $1bn since last year.

Solidarity celebrates

Polish Solidarity leader Lech Walesa and several thousand supporters, celebrated the union's sixth anniversary yesterday by attending mass but avoided confrontation with lorry-loads of riot police standing by, Reuter reports from Gdansk.

OBITUARY

Statesman dedicated to Finnish neutrality

BY OLLI VIRTANEN IN HELSINKI

DR URHO KALEVA KEKKONEN, aged 85, guided Finland through a crucial period in the country's history. Continuing on the path directed by his predecessor, Mr J. K. Paasikivi, Dr Kekkonen dedicated his career to building Finland's neutrality and cementing friendly ties with the Soviet Union.

During his tenure as President from 1956 to 1981, he pulled almost the whole nation behind his adopted foreign policy, commonly known as the Paasikivi-Kekkonen line.

The most respected and prominent politician and the greatest statesman Finland has ever had, he was also one of the most controversial. Early in his life he was a keen sportsman and a champion high jumper and later became a doctor of law.

He was Minister of Justice in 1936 and held various seats in the Government, including five tenures as Prime Minister.

In 1956, he was elected President by 151 votes against 149, and gradually began the process of developing good personal relations with Kremlin leaders. There are plenty of stories, some no doubt apocryphal of Dr Kekkonen and Soviet leaders making important decisions in the sauna.

At the same time, however, he maintained an ability to say "No" to Moscow. For example, he told Mr Nikita Kruschev the Soviet leader, in 1960 that, even if the whole of Europe turned Communist, Finland would not, if Finns decided to vote against it, "as I expect would happen."

An important part of his effort was also to establish good trade relations with the Soviet Union. He masterminded huge construction projects for Finnish companies in Soviet Karelia, just across the border.

Moscow's recognition of Finland's neutrality was only part of his aim. In the late 1960s and early 1970s, Dr Kekkonen sought actively to gain wider recognition for his country. Finland was the first country to give equal recognition to both Germanys, thus underlining its impartiality, and in 1975 it hosted 34 other heads of state in the Conference on Security and Co-operation in Europe (CSCE), designed boht to melt frosty relations between East and West and also apply the final seal to Finland's neutrality.

FINANCIAL TIMES

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WORLD TRADE NEWS

China approves plans for $4bn steel complex

BY ROBERT THOMSON IN PEKING

CHINA'S State Council has approved, in principle, the plans for a US$4bn (£2.7bn) steel mill at Ningbo, south of Shanghai, in what is potentially the largest foreign investment deal in China.

The Ministry of Metallurgical Industry said a pre-feasibility study's findings had been favourably reviewed by the Government. The venture is being pushed by Sir Y. K. Pao, the Hong Kong shipping magnate, who was born in Ningbo, and has formed a consortium of British and West German companies willing to equip the mill.

Davy McKee, the British engineering group heading the planned consortium, conducted the pre-feasibility study for the project, and the metallurgical ministry said State Council approval opened the way for a full feasibility study.

The ministry expects representatives of the consortium to hold meetings in Peking in coming weeks to discuss the future of the mill, which would have an annual capacity of 3m tonnes.

The plant is likely to be the front runner for final approval as the next big steel mill to be built in China now that the huge Baoshan complex at Shanghai has opened. Several other provinces, including Guangdong in the south, have been pushing their own projects as the most suitable for central funding.

Sir Y.K. is hopeful that a signing ceremony of sorts will take place for the project during the Queen's visit to China next month.

Other companies said to have an interest in the consortium are Britain's GEC, British Oxygen, Northern Engineering Industries, Babcock and Wilcox, and Ferrostahl of West Germany. Sir Y.K. is also known to have approached companies in Austria and Australia seeking potential partners.

China last year imported about 15m tonnes of steel, and local demand is expected to increase significantly as the modernisation drive progresses. The Ningbo site has the advantage of the nearby Beilun deep-water harbour, which is already handling iron ore imports from Brazil and Australia for the Baoshan plant.

Taiwan and US agree to extend trade dispute talks

BY BOB KING IN TAIPEI

TAIWANESE and US negotiators have agreed to continue talks today on sensitive trade matters in the hope of avoiding likely punitive action by Washington.

The two sides failed in five days of talks scheduled to end on Friday to agree on pricing, advertising and distribution of imports of American beer, wine and tobacco.

The failure of the Taiwanese to grant the products what US officials term "fair treatment" may spell retaliation against Taiwanese products in the US. This could complicate future talks on preferential treatment for Taiwan exports to the US so negotiators agreed to extend the current negotiations in the hope of reaching an accord.

The Taiwanese narrowly avoided such retaliation in early August by agreeing to implement by October 1 the terms of an accord reached in 1978 covering the method of valuing imports for tariff purposes.

Taiwan's delay in implementing the accord, which was to have taken effect in January prompted President Ronald Reagan to invoke special powers under section 301 of the US Trade Act which allows him a variety of retaliatory options against nations engaging in unfair trading practices.

It is understood that the gap between the two sides concerning pricing of imports had narrowed, but that US negotiators had not won clear commitments on various administrative points.

The imports are to be handled by the government's tobacco and wine monopoly, which is opposed to allowing competition from imports.

World Economic Indicators

FOREIGN EXCHANGE RESERVES
($m)

	June 86	May 86	April 86	June 85
US	15,229	14,320	15,062	7,407
W. Germany	38,946	37,732	39,930	34,412
UK	11,487	11,172	11,361	7,827
Japan	29,450	28,197	26,686	23,379
Italy	18,267	17,336	15,662	18,698
Belgium	4,836	5,222	4,216	4,081
	May 86	April 86	March 86	May 85
Netherlands	9,333	9,156	9,550	7,537
France	29,510	29,391	24,135	20,968

Source: IMF

Asean fails to agree on common market

By Samuel Senoren in Manila

ATTEMPTS by the six-member Association of South-east Asian Nations (Asean) to reach early agreement on a planned common market fell through after the 18th Asean economic ministers' meeting in Manila ended at the weekend without a consensus on the subject.

Discussions on the plan took most of the three-day closed meeting between ministers from Indonesia, Malaysia, the Philippines, Brunei, Singapore and Thailand.

Indonesia sent three members of President Soeharto's cabinet strongly opposed to the concept of adopting a European-like common market, while Singapore's position was non-committal.

According to Mrs Solita Monsod, the Philippine Economics Ministers, failure to agree was due to "the tremendous disparity in growth rates and levels of incomes" which made some countries "more cautious than others."

The common market scheme was to have been a major item in the agenda of the third Asean summit which Manila is to host in July 1987.

US cuts wheat price by $2

The US Agriculture Department yesterday again cut the price of wheat offered for sale to the Soviet Union after Moscow ignored the original discount, Reuter reports from Washington.

The department said it had increased the subsidy by two dollars per tonne of wheat offered to the Soviet Union under a controversial programme President Reagan approved this month. This brings the total subsidy on offer to $15 per tonne.

The subsidy offer has been strongly criticised by Australia, which has charged that it will drive down world prices, undermine faithful Western allies and benefit only Soviet consumers.

Jakarta buys F16s

The Indonesian armed forces yesterday signed an agreement to buy a dozen advanced F-16 fighters from the US., Reuter reports from Jakarta.

The Indonesian Department of Defence and Security said Jakarta had finally opted for the F16A-B, which is also in service with the air forces of neighbouring Singapore and Thailand.

Irish milk held

Some 3,800 tonnes of powdered milk from Ireland have been stored at a Brazilian port pending resolution of a dispute about whether the milk contains dangerously high levels of radioactivity, Reuter reports from Rio de Janeiro.

The milk is being stored at the port of Santos pending a decision by authorities

SHIPPING REPORT

Market for dry cargo shows strong recovery

By Andrew Fisher

THE LONG-DEPRESSED dry cargo market picked up sharply last week, having shown hints of recovery from mid-August, and brokers were confident that rates would rise further in the autumn.

For tanker owners, however, the tone was much weaker. Far fewer fixtures were recorded, mainly because the big charterers had already met their August needs and have yet to seek tonnage for September.

Helping to propel the dry cargo market along were reports of more Soviet deals for grain ships, though details were sketchy as Soviet charterers attempted to keep their activities quiet and thus prevent any marked rate increase.

Rates for Panamax bulk carriers—60,000-80,000 deadweight tons and able to go through the Panama Canal—climbed by more than $1.50 a ton last week to $10.50 for grain shipments from the US Gulf to Japan. Denholm Coates, the London shipbroking firm, said traders were confident that the next fixture would be around $11.

The grain rate from the US Gulf to continental Europe was steady at just over $6.50 after moving sharply ahead the previous week. Time charters for Panamaxes were $1,200 higher than in recent weeks at up to $4,000 a day for round trips from Europe to the River Plate

But the higher rates were restricted to modern Panamaxes and did not show through on smaller handy-size vessels of 25,000-40,000 dwt.

Rates for large tankers from the Gulf dropped considerably. E. A. Gibson Shipbrokers said around 8.5m dwt of VLCCs and ULCCs (very large and ultra large crude carriers) were in the Gulf waiting for employment.

Volvo tops list of car survival rates

BY JOHN GRIFFITHS

JUST OVER 20 per cent of all BMWs sold in Western Europe survive to their 15th year, compared with nearly 40 per cent of Fords, according to statistics produced by a joint venture between the UK's Society of Motor Manufacturers and Traders and the PRS consultancy group.

The statistics (see graph) show Volvos have the highest survival rate, of around 57 per cent, whereas only about 3 per cent of Alfa Romeos survive to their 15th year.

The statistics are produced without analysis or comment as part of the "Autoparc"* database system being launched jointly this week by the SMMT and London-based PRS.

Autoparc aims to help component and accessory makers identify business opportunities through a detailed breakdown, by age and model, of each West European country's car population.

Thus the database has been built on registration, rather than production, statistics stretching back for a minimum of 10 years.

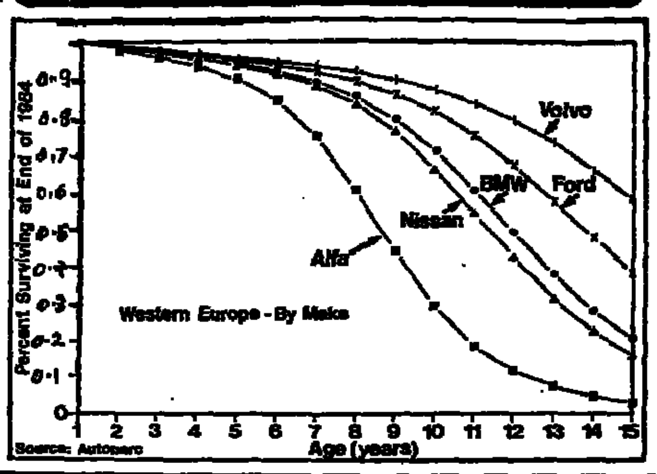
From the basic data, survival cars have been drafted for each make, model and engine size of car.

The Autoparc statistics, compiled over the past several years, confound some widely-held assumptions about car durability. For example, while large-engined cars might be expected to last longer than small ones, the statistics show that nearly four times as many one litre cars survive to 15 years as do 2.5 litre ones—38 per cent compared with 8 per cent.

They also show a wide disparity in survival rates between individual countries. For example about 2 per cent of cars registered in Italy are still in use in their 15th year. At the other end of the scale, only 3 per cent survive in the Netherlands. In the UK, about 20 per cent of cars survive to their 15th year.

...* *Autoparc. Disk, tape or hard copy. £2,000-£4,000 for individual countries, £15,000 eight main West European states. PRS Consulting Group, Premier House, 44-48 Dover Street, London W1X 3RF.*

CAR SURVIVAL RATES



Cut in oil prices raises fears at Leipzig trade fair

BY LESLIE COLITT IN EAST BERLIN

THE IMPACT of the sharp fall in oil prices was the main talking point among Western exhibitors and visitors to the Leipzig autumn trade fair which opened yesterday.

Falling revenues from oil exports by the Soviet Union and its Comecon partners have led to a growing trade imbalance with the West, which some businessmen fear could hit trade with eastern bloc countries.

Comecon countries have so far been unable or unwilling to curtail further badly needed imports from the West to compensate for the loss in hard currency earnings, but the likelihood of continued low oil prices has raised doubts as to whether this policy will continue.

The West Germans continued to maintain their usual massive presence at the leading East-West fair even though trade with East Germany fell 7 per cent in the first half of the year. The oil price slide hit East German re-exports of Soviet crude and refined oil products.

East German deliveries to West Germany fell 5 per cent to DM 3.7bn, while West German sales to East Germany dropped 8 per cent to DM 3.7bn. The Bonn Economics Ministry's West Berlin office, which supervises West German trade with East Germany, noted that, as long as oil prices remained low, East-West German trade could not be expected to recover. East Germany earned 30 per cent of its hard currency in 1984 from exports of oil to the West, says the German Institute of Economic Research (DIW).

The (West) German Chamber of Industry and Trade (DIHT), however, put a more optimistic gloss on trade prospects with East Germany.

West German companies, some 585 of them, are the largest outside exhibitors in Leipzig followed by the Soviet presence in the cavernous Soviet pavilion at the technical fairgrounds. Twenty-two Soviet foreign trade organisations are represented,

China is exhibiting for the first time at the autumn fair, after boosting its trade with Comecon countries by 70 per cent last year, to $3.5bn.

UK NEWS

Steel attacks SDP proposals to redistribute wealth

BY JOHN HUNT

MR DAVID STEEL, the Liberal Party leader, was critical yesterday of the Social Democratic Party's latest proposals for redistribution of wealth. The plan by the SDP, partners of the Liberals in the Alliance group, would alleviate poverty but leave most families earning more than £10,000 a year worse off.

Mr Steel believes it would be difficult to present to the electorate and does not want to see it accepted as Alliance policy in its present form.

He made his views known to Dr David Owen, the Social Democrat leader, during their talks in Scotland at the end of last week.

Mr Steel made it clear in a radio interview that this was only one of many proposals being put forward in the run-up to the general election and was far from being official policy.

"Both our parties have working groups who produce reports and recommendations and we do have to distil them," he said.

"It is going to be quite impossible to go into the election with every single proposal that has ever been considered by either party locked together in the manifesto."

"Obviously we are a bit concerned, not so much about the content of the policy but the presentation of it and that will have to be improved."

It would be wrong to accept all the "raw material" that was so abundant in both parties in the Alliance.

Dr Owen advocates in an article in the magazine Private Investor, a 3 per cent limit for increases in earnings, based on the 3 per cent increase in productivity up to March this year.

"Such a strategy would, if successful, reduce unit labour costs to zero, or a little above earnings drift," he said.

He suggested that this should be linked to four other new features.

● Introduction of a payroll incentive, with companies that reached two to three year settlements and which stayed within the 3 per cent limit getting a rebate of up to a quarter on their national insurance contributions.

● Employees would benefit from new tax concessions based on profit-related pay.

● Legislation to introduce an inflation tax.

● Introduction of comprehensive pay review machinery to ensure that the public sector does not get left behind in pay.

Unions set to offer programme of change

By Philip Bassett and Charles Leadbeater

THE Trades Union Congress, opening today in Brighton, will be a "springboard for change," Mr Norman Willis, its general secretary, forecast yesterday.

Mr Willis said the congress "may be the last occasion for us to set out our stall to the British people before they choose the next government." The proposals being set out by the unions would be a call for change – in the economy, in industrial relations structures, and in a changed approach by unions to Britain's relations with the rest of the world.

Mr Willis' eve-of-congress statement reflects a new determination within the TUC to try to move beyond talking solely to union members and to forge stronger links with the wider public.

He acknowledged that trade unions in the UK had faced difficulties since the Conservatives took office, but said that most of them stemmed from the policies of a "blinkered and hostile government."

Tories dismiss Labour public industries plan

BY JOHN HUNT

GOVERNMENT ministers launched a concerted attack on the policies of the opposition Labour Party over the weekend, gunning in particular for its proposal to relax the financial targets of nationalised industries so that more workers could be taken on.

As the annual political conference season opened with the Trades Union Congress (TUC) meeting in Brighton, on the south coast, Labour's plan was described as "barmy" by Mr Norman Tebbit, chairman of the Conservative Party.

He said it would mean a return to the curse of overmanning and low productivity in the public sector and showed that in reality Labour had no plans for reducing unemployment.

Mr David Steel, leader of the opposition Liberal Party, also scathingly criticised the idea, which leading Labour figures have discussed with the Nationalised Industry Chairmen's Group. Mr Steel said it would lead to the creation of "make believe" jobs in the public sector.

Conservative criticism was also levelled at a new package of industrial relations law agreed by Labour leader Neil Kinnock, which the TUC conference is due to debate.

Mr Kenneth Clarke, the Employment Minister, predicted there would be a lot of talk about freedom and fairness but less about what the proposals would mean in practice.

He wanted to know whether workers would still have a legal right to stop a strike being called without a ballot and whether union executives would be elected directly by all members of a union in secret ballot.

If the answer was "no" then he felt that the proposals were a "complete con – a purely cosmetic cover-up of an attempt to turn the clock back to the bad old days of union misrule and undemocratic behaviour."

Education reforms proposed

A NEW Education Act establishing an education ombudsman and an education council representing a wide spectrum of interests is proposed by the Labour Party education spokesman.

Mr Giles Radice, the party's education spokesman proposes the reform of the exam and assessment system, including the replacement of A levels with a less specialised exam at 18 plus, and wants to see an end to selective secondary education.

In a Fabian Society pamphlet published today Mr Radice says that education is certain to be a big issue in the next general election campaign and for the first time in a decade Labour's policies will be a significant asset.

He argues that to implement quality and equality in education a Labour government would need to reforge the partnership between central and local government.

At the heart of this partnership would be a new Education Act which would redefine objectives and functions and would establish an education council as a "parliament" for the schools system.

Represented on it would be the teachers' unions, local authorities, parents' organisations, independent experts and people from industry and other unions.

Equality and quality: A Socialist Plan for Education, Fabian Tract 514, £1.50, Fabian Society, 11 Dartmouth Street, London SW1H 9BN.

Low-cost housing plan

THE Social Democrats are proposing to limit tax relief on home loan mortgages and switch the money saved to a new housing programme providing rented accommodation at reasonable prices.

The policy is outlined in the latest SDP document, Action on Homes, which will be discussed at the party's conference in September.

It suggests that mortgage tax relief should be confined to earnings up to the basic rate of income tax, currently 29 per cent. It estmates this would save at least £200m a year.

This sum would go towards subsidising a social housing programme to provide private rented accommodation for low income tenants – in effect a replacement for conventional council housing.

In addition to the subsidy, the housing would be funded through index-linked private finance from financial institutions.

The SPD estimates that by the fifth year the programme would be costing £1.6bn more than the £3.9bn spent on housing last financial year.

Nimrod no longer a lame duck – GEC

BY DAVID BUCHAN

THE RADAR problems of Britain's troubled Nimrod airborne early warning (AEW) aircraft have now been solved and the system was "no longer a lame duck, but a world leader in the making," GEC, its maker, claimed yesterday.

Airborne tests witnessed over the past fortnight by government ministers and RAF officials had shown that the radar could now screen out clutter and detect and track key targets over land and water, GEC said on the opening day of the Farnborough Air Show. The Nimrod AEW aircraft is due to make public demonstration flights, at the show later this week.

Mr James Prior, Chairman of GEC, now saw no reason for the government not to give his company the contract to complete its AEW programme and to turn down competing bids from US and other UK suppliers.

He described the technical turnround achieved by GEC Avionics' team of 1,500 engineers working flat out for six months as "little short of a miracle." It had been achieved only after GEC took over prime responsibility for the programme from the Ministry of Defence in March, and before the cut-off date of September 3 which the Ministry had initially set for the company to show results.

He claimed the radar was a great technical, though not financial, success for GEC, which will turn a profit of less than 4 per cent on the £328m of public money which it had been responsible for spending on the Nimrod project since the mid 1970s. In total the programme had so far cost the taxpayer some £900m.

GEC would go "flat out" for exports orders for the AEW system, Mr Prior said, once it had received approval from the UK Government. The UK would use only 11 aircraft from the now-closed Nimrod production line.

Airbus launch date mooted

By Michael Donne, Aerospace Correspondent

AIRBUS Industrie, the European airliner manufacturing group, hopes to launch its new A-330 and A-340 airliners by the end of this year.

Discussions between Airbus and potential customers have enabled it to finalise the overall design of the two aircraft, "creating the right climate for airline commitments by the turn of the year," it was stated at the Farnborough airshow yesterday by Mr Jean Pierson, the president of Airbus.

The four-engined A-340, seating about 280 passengers, would be able to fly over ranges of up to 7,000 nautical miles.

The two aircraft have been conceived as variants of the same basic design, and would have common fuselage, wings, and systems.

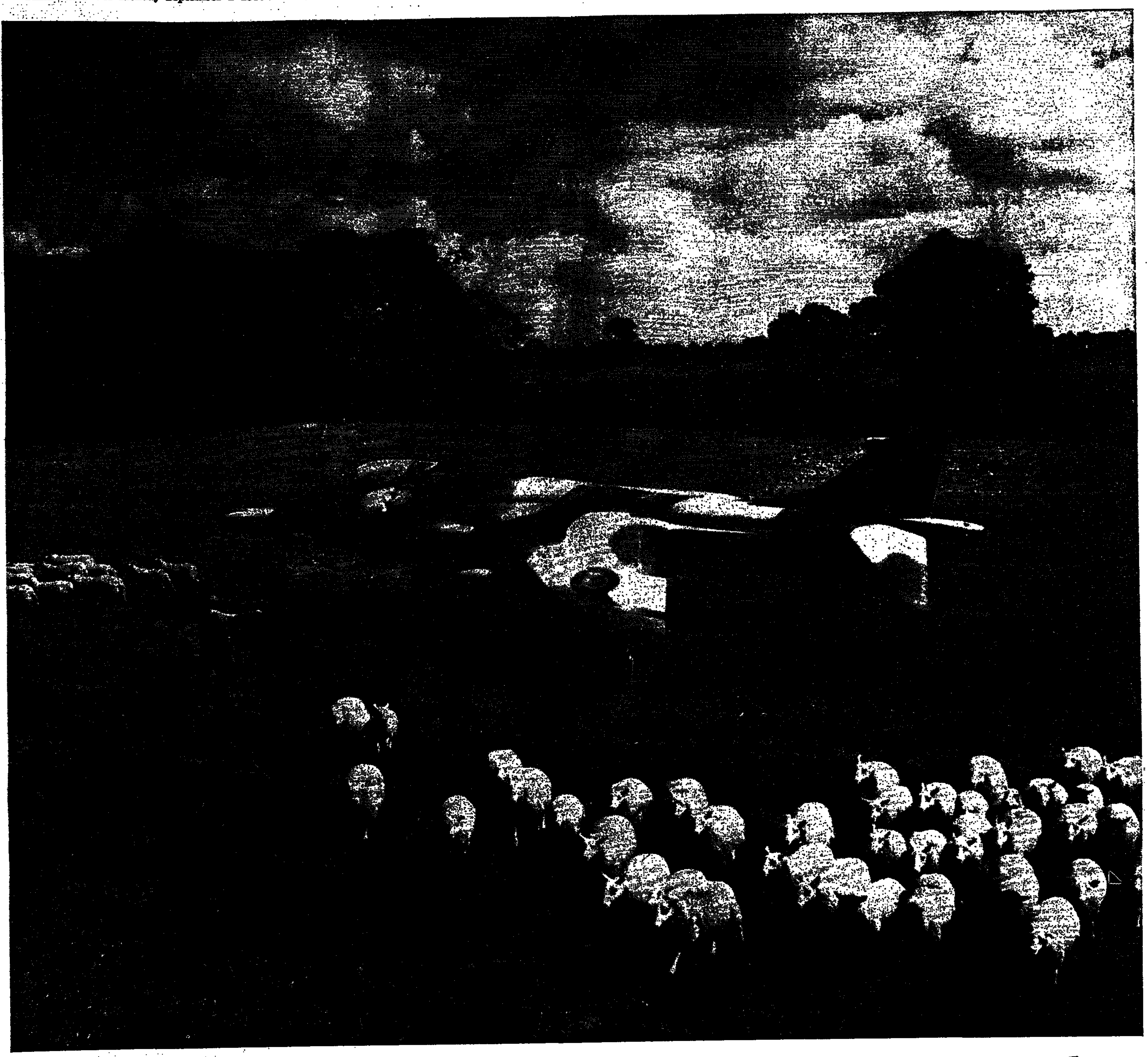
Small prop-fan airliner studied

By Our Aerospace Correspondent

PLANS for a new advanced technology small airliner, using the new concept of prop-fan power, are being drawn up by Boeing of the US in conjunction with Fokker of Holland, Messerschmitt-Bölkow-Blohm of West Germany and Nurtanio of Indonesia.

Initially, these companies will conduct feasibility studies into a new 90-seat aircraft, with a view to eventually undertaking detailed design and development, with an in-service target date of the mid-1990s.

The venture would be smaller than Boeing's current plan for a 150-seater, the 7J7, now under development for service in 1992, and would be more likely to be competitive with the smaller McDonnell Douglas MD-91X, a 100-110 seater prop-fan powered airliner also being developed for service in 1991.



UK NEWS

Racial prejudice on the stock exchange

The abrupt departure last week of the London Stock Exchange's only black dealer has cast a harsh spotlight on recruitment policies and racial attitudes in the securities industry, reports Clive Wolman.

MOST stock exchange member firms reacted nervously to the publicity following the demotion and abrupt departure last week from Barclays de Zoete Wedd (BZW) of Mr David Adeleke, the only black dealer working on the floor of the exchange.

The issue of racial integration has been raised at a particularly sensitive time in view of the deregulation this year of the securities markets. Most stockbroking and jobbing firms, which have traditionally recruited their professional staff from a fairly close network of contacts, are being forced to review their personnel policies as they are absorbed into larger, more cosmopolitan financial institutions.

Only a few of the more internationally-oriented of BZW's competitors said they could afford a chuckle at what is generally viewed as the clumsy handling of a sensitive issue. Mr Adeleke claimed he had been constructively dismissed without good cause from BZW, the securities arm of Barclays Bank.

Mr Adeleke, who was born in Stockwell, south London, of Nigerian and Caribbean parents, certainly confronted racial prejudice on the stock exchange floor. On Thursday afternoon after he had left, some of his younger colleagues stuck up on the wall of his pitch a doll with pins inserted voodoo-style. Beneath they wrote a notice, "I shall return." The doll was taken down swiftly after more senior BZW staff intervened.

Mr Adeleke said last week that he believed there was a clash of cultures and attitudes between the dealers and middle managers, with whom he had most contact, and the more senior BZW management. The middle managers were generally "anti-intellectual Cockneys," he claimed, and less liberal than their predecessors.

Stock exchange firms in general and jobbers and dealers in particular have been the slowest sector of the financial services industry to change their attitudes towards recruiting racial minorities, according to Mr Robert Digby, a director of Badenoch & Clark, a leading financial recruitment firm. "It has been much more of a club than banks and insurance companies," he says. "Not long ago, most broking firms would staff themselves completely from the children of partners and friends."

He says that some firms over-use the excuse that job applicants from racial minorities would be unsuitable because of their lack of personal contacts. This is hardly a relevant criterion in more junior jobs which are filled by young, recently qualified graduates, Mr Digby says. But as a result, few blacks or Asians apply for jobs and, if they do, they are less at ease during interviews.

According to Midland Bank, which recently acquired the stockbroking firm W. Greenwell, proportionately fewer blacks and Asians with professional qualifications say they are interested in working in the stock exchange than in other parts of the bank.

National Westminster Investment Bank, which has acquired a stockbroking and jobbing arm, estimates that about 3 per cent of its applicants for equity trading jobs come from ethnic minorities, about a third of their proportion in the population as a whole. So far, however, it has taken on only one black as a trainee, but rather more Asians.

One Asian, Mr Naresh Godka of stockbrokers Scrimgeour Vickers, has reached the top of his profession. In recent years he has been consistently voted one of the two leading analysts of the property sector by institutional investors. "It was very difficult when I first joined in 1968 – people kept looking at me," he says. "But things have improved quite a lot in the last four or five years, particularly in the investment field with fund managers and analysts."

Mr David Sidler, a leading headhunter for stockbroking firms, has noticed very different attitudes in the City towards recruiting different ethnic minorities. The Chinese do extremely well, the Indians and Pakistanis are accepted in the accountancy and legal professions but suffer limited discrimination elsewhere while the blacks, he believes, are debarred from many stockbroking firms.

"It irritates me how many are well-qualified and express themselves clearly but do not get the jobs," he says. With the US securities houses leading the way, blacks are sometimes accepted as dealers and salesmen, particularly if their work is over the telephone and they have no trace of a Caribbean accent, he says.

The most sensitive jobs are those involving intimate contact with clients, such as corporate finance. According to Mr Sidler: "The merchant bankers and brokers say that they don't mind but how seriously would the chairman of this or that company take us if a black turned up for lunch?"

Shell attacked for investment which 'props up apartheid'

BY LUCY KELLAWAY

SHELL, the international oil group, and Barclays, the UK bank, are paramount among international companies propping up the apartheid regime in South Africa, according to a report by the British Anti-Apartheid Movement and Embargo.

Shell has complained to the authors that their report "creates an impression which is incorrect, misleading and tendentious."

The report says Shell is helping apartheid by being one of the largest investors in the area. It claims specifically that Shell is supplying oil to South Africa, thus breaking the embargo applied by all the major oil exporting countries.

Shell strongly rejects the claim, and has stated that "no part of the group outside South Africa is involved in the sale of crude oil to anyone in South Africa."

Shell is also contributing specialist knowledge to South Africa, which it otherwise would not have access to.

It alleges that the company has further helped the Government by supplying the army and the police with oil products and is involved in mining and exporting South African minerals.

Shell's role as a producer and exporter of dieldrin, an insecticide which is banned in most Western countries and within South Africa because it does not break down easily, is also attacked.

The report lists the growing band of international organisations strongly opposed to Shell's role in South Africa, and warns: "Nothing short of complete withdrawal from South Africa and Namibia will be seen as a termination of its present collaboration with the white minority government in South Africa."

Yorkshire TV issue oversubscribed

BY ALICE RAWSTHORN IN LONDON

THE FLOTATION of the independent Yorkshire Television company which closed last week attracted more than £525m worth of applications and was 52 times oversubscribed.

Baring Brothers, the merchant bank handling the issue, had received more than 126,000 valid applications for 429m shares by the time the offer closed on Friday. The offer to Yorkshire's employees, who were given preferential rights over 10 per cent of the issue, was oversubscribed 1.8 times.

A majority of applications came from small shareholders. Some 20,000 were from the Yorkshire region alone and 13,000 were delivered by hand to the receiving bank in Leeds.

The offer also attracted substantial interest from speculators. Barings rejected more than 12,000 multiple applications and intends to cash the cheques sent in by the most flagrant applicants in order to deter speculation in future issues.

Some 16 institutional investors applied for more than 1m shares while one sent in a cheque for more than 8m – almost all the shares on offer. "Even I am surprised that someone was prepared to buy the whole lot" said Mr Paul Fox, Yorkshire's managing director.

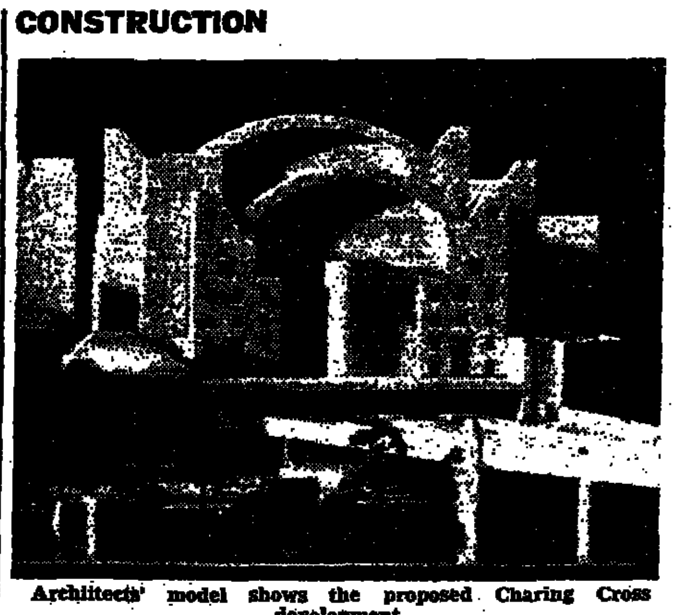
Yorkshire released just 8.2m shares or 25 per cent of its equity and aimed to attract 10.3m from the offer. Its flotation followed heavily oversubscribed issues from two other television companies, Thames in June and TV-am in July.

Barings will cash the cheques of the largest multiple applicants. Their cheques will be returned at the end of this week but by that time the speculators will either have lost a week's interest on their money or will have had to pay interest on short term loans.

Under Baring's system of allocation. Yorkshire will emerge with about 20,000 shareholders. Applications for up to and including 900 shares will go into a weighted ballot for 200 shares; applications for 1,000 to 10,000 into a weighted ballot for 300; applications for 11,000 for 25,000 into a weighted ballot for 400 while applicants for more than 25,000 shares will receive 1.35 per cent of the shares applied for up to a maximum of 40,000.

Yorkshire's shares are almost certain to start trading at a premium. Late last week the "grey" or unofficial market cited prices of 20p above the issue price of 125p.

CONSTRUCTION



Architects' model shows the proposed Charing Cross development.

Charing Cross plan

BY JOAN GRAY, CONSTRUCTION CORRESPONDENT

Consultants Ove Arup and architect Mr Terry Farrell are putting the finishing touches to British Rail and Greycoat's £100m scheme to build a 400,000 sq ft office block over the railway tracks at the back of London's Charing Cross station.

The scheme will be considered for planninfg permission by Westminster City Council in September or November. If it gets the go-ahead the developers will put the first contracts out to tender in the New Year for construction work to start in June on a fast-track project to be completed in two years.

The developers will appoint an overall management contractor and will let the construction works—piling, foundations, building the steel frame, cladding and installing the services—as separate packages.

The building—designed to resemble a glittering glass and granite riverside palace—will have nine floors behind the existing Charing Cross Hotel at the front, and seven floors overlooking the Thames at the back.

It will have one of the largest dealing rooms in London, 100 metres long and 50 metres wide, "an area the same sort of size as Wembley football pitch and capable of holding 792 desks," said Ove Arup director Mr Nigel Thomson.

It will also have a great bow-arched roof holding up the pillars from which the structure is suspended, and sides and towers of solid stone.

"It is handy to put all the air conditioning and other services in towers on top of the building," said architect Mr Terry Farrell. "It also fits in with one of my streng views about building in England, where because there is no sun you need a strong skyline." "And I feel that buildings on the river should be big in scale," he added.

Designing the building was complicated by the fact that it needed foundations piled 30 metres deep into the London clay. But these had to be sunk from within the 122 year old brick vaults under the station and while causing as little disturbance as possible to the thousands of commuters above.

This made conventional pile driving impossible, and also means that the building had to be supported by as few columns as practicable so as to create minimum disruption to the platforms.

The designers' solution is a structure held up on only 18 main columns through the platforms, supporting a great bow-arched roof with a 36 metre span, from which the remainder of the building's structure is suspended.

The columns—in two rows, 36 metres apart—are supported on piles sunk beneath the brick vaults. Once the piles are sunk, holes are cut in the platforms above and the steel columns are dropped through the holes and fastened on to the piles beneath. The columns then support the bowtruss arched roof, from which the remaining floor structure is hung.

One problem the designers have not solved is what will happen to the homeless vagrants who traditionally congregate at night in the Charing Cross arches. This, they say, is being considered by Westminster City Council.

Guildford hospital project

Work starts today on a £13.5m contract, awarded to **JOHN MOWLEM AND CO** by the South West Thames Regional Health Authority for phase II of the Royal Surrey County Hospital, Guildford. The 225,000 sq ft, four-storey building will be of reinforced concrete frame with brick cladding and timber windows. It will provide a 55-bed obstetric unit, a 14-cot special care baby unit, a 56-bed geriatric assessment unit and day hospital, rheumatology and rehabilitation departments, a 40-bed psychiatric unit, a general outpatient department and other clinics, together with a hydrotherapy pool and gymnasium. It will be linked by a corridor to phase I of the Royal Surrey County Hospital, which opened in 1980. This block has 350 medical, surgical and children's beds, 10 operating theatres, an intensive care unit, accident and emergency department, X-ray department and full support services. Completion is due in late 1990.

★

J. JARVIS & SONS has been awarded several contracts totalling over £12m. The largest valued at £3.1m is for the construction of a British Telecom materials store at Yeading, Middlesex. At Guildford work has just commenced on a £3m offices development for Cornhill Insurance; and Argyll Stores (Properties) has awarded three supermarket fitting out contracts together worth £2.2m. London Shop (Enterprise House) has awarded a £1.4m office demolition and rebuild contract in the City.

★

CP ROBERTS AND CO has been awarded contracts worth around £4.8m. Hammond Roberts, a subsidiary formed earlier this year, has commenced work on stage 2 of the Maltings, St Albans, worth over £2m, and on phase 1 of the new CDT Block at Harrow School, worth £250,000. Work is due to commence shortly on a £573,000 four-storey office block in Fulham. J. M. Hill Construction, an Ampthill-based subsidiary, is building a £1m headquarters for Spectra Physics in Hemel Hempstead. Work will also start shortly on the Airman's Social Club at RAF Henlow in a contract worth £969,000.

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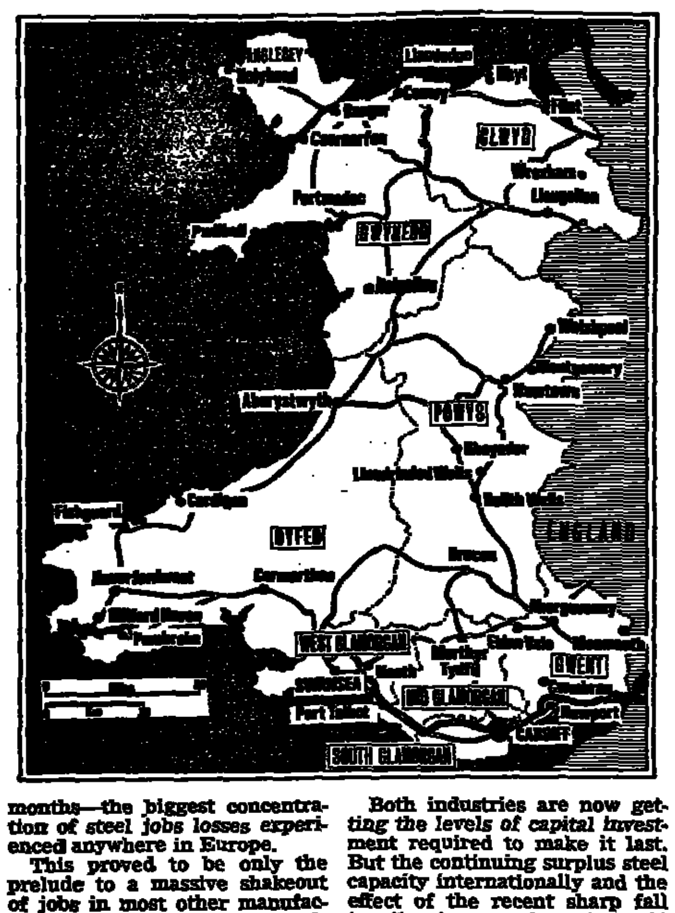
FINANCIAL TIMES SURVEY

Monday September 1 1986

Wales

Wales is better placed than ever to attract inward investment, but far greater emphasis is needed to encourage growth within the Principality in order to reduce unemployment, its most pressing economic problem.



Cardiff, capital of Wales: Welsh industry is, if anything, more optimistic about its current prospects than the rest of the UK, says a recent report.

A battle for more jobs

BY ROBIN REEVES

LAST MARCH 1, St David's Day, a number of leading figures in Wales published a "Declaration on Unemployment." Assembled by Sir Bryan Hopkin, a former Treasury knight and now emeritus professor of economics at University College, Cardiff, the document by what could be described as a Welsh eminent persons group, read:

"We are a group of people with different views on political and social questions, but we all think the present level of unemployment in Wales is intolerable. It has destructive social and economic effects, and demoralises those who are not given the opportunity to contribute to the community through useful work."

The signatories ranged from Lady Anglesey and the Archbishop of Wales to Sian Phillips, the actress, Sir Cennydd Traherne, former Lord Lieutenant of Glamorgan, and a Knight of the Garter, and Mr Philip Weekes, recently retired area director of the south Wales coalfield.

They acknowledged that there had been developments in Government policies to deal with the problem, but warned that there was much more that could and should be done. "The objective must be to achieve a substantial fall in unemployment. We therefore urge the Government to take effective measures to expand the economy, and otherwise to create, for those now unemployed, more opportunities of doing useful work," the declaration concluded.

The subsequent responses of Ministers were familiar. The Chancellor of the Exchequer's office said that there was no shortage of demand. Mr Nicholas Edwards, the Secretary of State for Wales, replied that he shared the concern of the signatories but regretted that the declaration did not contain positive proposals. His junior Ministers at the Welsh Office felt that the Government was already doing all that could usefully be done to reduce unemployment.

The declaration was an important reminder, if one were needed, that whatever else may be said about the performance of the Welsh economy, the dominant factor remains the continuing rise in the level of unemployment.

Apart from a short period during 1983, the level of unemployment in Wales has been rising relentlessly for the past seven years. Since the recent inclusion of self-employed and services personnel in the calculations, the seasonally adjusted rate has come down to 14.2 per cent or 175,500. But more than half are long-term unemployed and the trend is still upwards, albeit now more gradually than in the UK as a whole.

It is also making the Government increasingly unpopular in Wales, according to a recent opinion poll. This found that support for the Conservatives had fallen to only 18 per cent of the electorate, compared with 31 per cent in the 1983 general election. Labour was the main beneficiary, attracting 52 per cent support, compared with 38 per cent in 1983.

Since Mr Edwards assumed office seven years ago (he is now the only Cabinet Minister to hold his or her original post apart from Mrs Thatcher herself and the law officers) the Secretary of State for Wales has presided over a three-fold strategy aimed at (a) raising the competitiveness of Welsh industry (b) seeking to create the conditions which will attract inward investment of new high tech industries, and (c) encouraging enterprise and growth within — always subject, of course, to the Government's overall economic strategy.

Wales was catapulted into the forefront of the Conservative Government's economic strategy at an early stage. The demand that British Steel Corporation quickly eliminate its mounting losses resulted in 25,000 redundancies in the Welsh steel industry in the space of 12 months—the biggest concentration of steel jobs losses experienced anywhere in Europe.

This proved to be only the prelude to a massive shakeout of jobs in most other manufacturing industries as Wales felt the impact of the Government's monetary and fiscal policies and the onset of the worst recession since the 1930s.

In coal, the decline in employment has been going on for decades. But, since the year-long strike ended in March last year, the number of deep mines in south Wales has been reduced from 28 to 17 and the number employed in the coalfield has fallen from some 20,000 to 13,000.

The disappearance of these 7,000 jobs in coalmining has attracted surprisingly little attention. After dominating the headlines for 12 months, perhaps the miners are no longer newsworthy.

It is against this background that the best industrial news of the past 12 months—the return to profitability of BSC for the first time for over a decade, and of British Coal's south Wales area for the first time for nearly three decades—needs to be viewed. While it has provided a tremendous boost to the morale of those who remain in the industry, the cost in social terms has been heavy.

Both industries are now getting the levels of capital investment required to make it last. But the continuing surplus steel capacity internationally and the effect of the recent sharp fall in oil prices on the price paid for power station coal has underlined the fact that there is no room for complacency.

Another heartening indicator is a strong pick up in demand for Welsh Office financial assistance after a pause in the immediate aftermath of the recent changes in the Government's regional development policy, though much of it is directed at modernising capacity and maintaining jobs, rather than expansion projects.

Even so, according to trends surveys from the Wales CBI, the Institute of Directors in Wales, and the Cardiff chamber of commerce, Welsh industry is, if anything, more optimistic about its current prospects than in the rest of the UK.

The Welsh Development Agency has also continued to enjoy a buoyant demand for its advance factories. It has finally got the stock of empty advance factories built in response to the steel crisis down to a working level. Mid Wales Development, its country cousin, continues to do well. In the past year, it has helped create 2,000 new jobs and also built a record 102 factories, the most notable being Laura Ashley's major new textile plant in Newtown.

As far as inward investment goes, Wales continues to secure a 20-25 per cent of projects coming to the UK, even if it has also had its share of disappointments. North Wales proved to be runner up for the Nissan car project and Cwmbran was pipped at the post by Brunswick, West Germany, when it came to securing the European manufacturing facility of LSI Logic, one of Silicon Valley's high fliers.

Certainly, Wales is better placed than ever before to attract inward investment. Real strides have now been made in giving Wales a modern roads infrastructure. A long-promised dual carriageway from Cardiff to Merthyr has opened, the tender for the £100m. Conwy tunnel — the key link in the A55 north Wales expressway — is about to be awarded, and the Government has agreed to build a second Severn Bridge, which ought to allay any fears about the adequacy of the present crossing.

But it is also becoming increasingly clear that the belief that Welsh economy was going to be put back on its feet by a big influx of inward investment, once Wales got its infrastructure right, is not going to happen.

Mr Edwards, the Welsh Secretary, long argued publicly that Wales had to stop trying to hang onto traditional smokestack industries and go for the new sunrise industries spreading down the M4 corridor.

Certainly the IT sector has grown. It was recently calculated that electronics and telecommunications now account for some 14,000 manufacturing jobs in Wales. Another three Japanese consumer electronics companies, Sharp, Brother and Orion have opened factories in Wales within the past year and a fourth, Matsushita, is to build a £6m factory at Newport in Gwent employing a total of 300 people in the manufacture of Panasonic office automation equipment. The company, which has bought a prime 18-acre site near the M4's junction 28, already operates a colour television factory in Cardiff employing 800 people.

The financial problems surrounding Parrot Corporation's new floppy disk manufacturing plant and the retrenchment by Inmos have illustrated, however, that high tech is also high risk, and not a guarantee of success and new job creation.

There are a number of fast-growing companies in Wales in the field of biotechnology but here again, there have been casualties. And for all its long-term potential, biotechnology is not yet in a position to start making a significant impact on employment. Efforts are also being made to build up other sectors where Wales has traditionally been weak such as food processing.

Another disappointing feature has been the heavy job losses which have occurred in the industries which were established in the 1950s and 1960s in order to reduce Wales's dependence upon coal and steel

Oil refining, chemicals and textiles loomed large among those new job generators. Yet the past year alone has seen the shutdown of the bulk of BP's Llandarcy refinery, near Swansea, and the closure of Courtaulds' two remaining factories of any size in Clywd, north Wales, creating between them nearly 2,000 redundancies.

Even 1970s investments are not immune, a particularly striking example being provided recently by Ford. The company's decision in 1977 to build a £225m European engine plant, creating 2,500 new jobs at Bridgend was hailed at the time as the "investment catch of the decade." In practice, the Bridgend plant has never employed more than about 1,700 since it opened in 1980 and now Ford plans to automate the facility in ways which will halve the present workforce to little more than 800 by 1990.

Clearly, far greater emphasis is going to have to be placed on the third arm of Mr Edwards' strategy — encouraging growth from within—in the years ahead if Wales is to begin to get the better of its still most pressing economic problem, unemployment.

Boost for the Steel Industry

A key role in the Welsh economy

BRITISH STEEL Corporation last month unveiled its first annual profit for 11 years—a net surplus of £38m after taking into account taxes, interest and exceptional items. The turnround added up to a spectacular recovery for an industry which continues to exert a significance influence upon the Welsh economy.

The precise contribution of the Welsh steel plants was not spelled out—BSC refuses to release individual plant performance figures, but the signs are that it was decisive.

It later emerged that Llanwern had contributed a profit of £28m, and the three BSC tinplate plants at Trostre, Velindre and Ebbw Vale £11m, towards BSC's overall operating profit of £76m; and that BSC's steel coatings complex at Shotton, north Wales, had also made a very positive contribution.

The position of Port Talbot was somewhat different. By all accounts, for the 12 months up to the end of March, it recorded a net operating loss of £35m, but this deficit stemmed from scheduled interruptions to production which were required for the installation of Port Talbot's new hot mill.

Alhough officially described as a refurbishment, the £187m investment is equipping Port Talbot with a virtually new hot rolling mill. The bulk of the work has been completed, commissioned and officially opened. However, a second re-heat furnace is in the course of being added, to complete the modernisation by the middle of next year and restore Port Talbot to its original manned capacity of 3m tonnes of steel annually.

It is the largest of a series of major investments being undertaken by BSC to maintain the industry's new-found competitiveness in an international steel market still plagued by overcapacity and less than buoyant demand.

Shotton, which boasts Europe's largest steet coatings capacity, has just opened a new dual purpose hot-dip coating line, capable of producing more than 200,000 tonnes a year of either aluminium-zinc coated strip steel or traditional galvanised sheet. Built at a cost of £30m, it is designed to meet a growing demand for wider and thinner coated steels.

The aluminium-zinc coated strip, which is new to the corporation, offers construction, domestic appliance and automotive industries a product with far greater corrosion resistance than traditional galvanised sheet.

Llanwern is pressing ahead with the installation of continuous casting equipment which is expected to boost productivity still further by effecting significant energy savings. BSC has never revealed the cost, but it formed part of an EEC approved deal involving the buy-out of the neighbouring private sector Alphasteel's production quotas for a reported £100m.

More recently, BSC has announced its intention of investing £50m in a second continuous annealing line of 350,000 tonnes a year capacity at its Trostre tinplate works, near Llanelli. The road is now open for the works to move sharply into the black.

The return to profitability represents fulfilment of an objective which the incoming Conservative Government set itself on assuming office in 1979. It decided as a first step to push ahead with the closure of iron and steelmaking at the British Steel Corporation's Shotton works, on Deeside, north Wales (and Consett in the north east of England). The announcement signalled not only the final chapter of Shotton's long fight under a Labour Government to maintain itself as an integrated steel works, but also the start of the most radical—some would say brutal—shake-up in the history of the Welsh steel industry.

The decline in the number of employees working in Welsh steel had seemed drastic enough during the 1970s. Numbers had fallen from a peak of 71,000 in 1971 to about 48,000 by 1979. In 1978, Cardiff's East Moors steelworks was closed and iron and steelmaking ended at Ebbw Vale with several thousand redundancies.

But between 1980 and 1981, after the bitter three month national steel strike over pay and job losses had pushed BSC's deficit over the £1bn mark, the number of redundancies at BSC's Welsh steel plants totalled a staggering 25,000 and soon the total number employed in the Welsh steel industry was down to less than 20,000.

At Port Talbot and Llanwern, manning was halved virtually overnight under a radical scheme to limit each plant to an annual production of 1.4m tonnes dubbed "slimline." At Shotton, which was using open hearth furnaces, the end of iron and steelmaking created over 8,000 redundancies—the biggest single industrial redundancy on one site since the second world war, certainly in the UK, and probably in Western Europe. The three BSC tinplate plants at Trostre, Velindre and Ebbw Vale (responsible for all UK tinplate production) also shed over 5,000 jobs.

In the private sector too there were major cutbacks. Duport's engineering steels plant at Llanelli was closed outright, as part of a general restructuring of UK engineering steel capacity in both the public and private sector. The comparatively new electric arc furnace and other steel making equipment was sold overseas—South Africa was said to be its destination.

GKN's Cardiff steel-making facilities were also regrouped with comparable BSC units in other parts of the country to create Allied Steel and Wire, now the UK's largest producer of wire bars, sections and other construction steels.

The massive shakeout, though it was very painful for all concerned and affected the whole of the UK steel industry, still left Wales with two of BSC's three main integrated strip steel plants.

And whereas at one point Llanwern looked doomed to closure, as the dust settled, it soon became clear that if any major strip plant was threatened with shutdown, it was not Llanwern, originally perceived as the most threatened, but Ravenscraig in Scotland.

The reason for this was partly because of what was quickly dubbed the Llanwern "miracle." Having stared over the closure precipice, the remaining Llanwern workforce resolved to match the best operating performances in Europe. Within months of the introduction of slimline manning, productivity at the plant had reached as high as 3.0 manhours per tonne, more than double pre-slimline productivity, and well ahead of that at Ravenscraig.

But it also reflected the fact that Wales still contains some 80 per cent of BSC's finishing capacity for flat rolled steel products. It is also far nearer to BSC main markets, namely the Midlands and South East of England.

Robin Reeves

Turnaround in the Coal Industry

Big increase in investment

BRITISH COAL'S South Wales area management has decided to enter the coalfield for this year's annual Welsh Business Achievement of the Year competition. The bid is a measure of the pride now being felt by senior executives at British Coal's Cardiff headquarters, at the dramatic turnround achieved in the coalfield's balance sheet since the end of the miners' strike.

For three years running, before the historic strike brought coal production in south Wales to a complete standstill for 12 months, the coalfield's losses averaged £100m annually. Although it was responsible for only some 10 per cent of Britain's coal production, it nevertheless accounted for roughy half the National Coal Board's total deficit.

But last March, exactly a year after the end of the strike, the coalfield made a profit of £850,000, its first monthly trading surplus since 1972. Today, local management is out to ensure that the coalfield achieves its first annual profit for nearly 30 years.

It will not be easy. The sharp drop in oil prices has already led to a drop of £20m in the coalfield's originally-budgeted revenue from sales to the Central Electricity Generating Board. More recently, failure to settle the 1985 pay claim from the National Union of Mineworkers has provoked the threat of an official ban on coal production during overtime working which could quickly undermine the return to profitability.

But Mr Ray Proctor, the coalfield's administrative director, says that the target will be stuck to; "not because we have a mad devotion to the profit motive, but because the only way to get necessary investment for the coalfield is to generate the proceeds yourself."

The financial turnaround is the result of a four-fold strategy which was worked out in the weeks which followed the end of the year-long strike. Firstly, it was decided to close, as quickly as possible, uneconomic capacity; secondly, to launch a drive for record productivity increases; thirdly, to search out big savings in overheads; and fourthly, to secure a major increase in capital spending.

As a beaten army, the miners were in no position to resist the management's first objective. Indeed, there was something of a stampede to take redundancy before the end of last year, because of fears that enhanced severance terms might cease to be available.

As a result, whereas south Wales had 28 deep mines and some 20,000 mineworkers at the start of the strike in March 1984, today, it is down to 17 collieries and 13,500 mineworkers. In a matter of months, nine pits were closed outright and another two merged with neighbouring collieries, one of these being Mardy, the last pit in the Rhondda, which is now linked to Tower colliery, near Hirwaun.

Hand in hand with this cutback has also gone a drive to reduce overheads which has resulted in a 30 per cent reduction in administrative and support staff to 1,400.

But the reduced number of pits and far smaller labour force are proving able to maintain south Wales' deep mined output at 7m tonnes a year or slightly more than was produced in the two years before the strike. This is due in no small measure to a dramatic increase—by south Wales's standards at least—in capital investment in the coalfield.

Capital spending last year totalled £43m, the highest level since the mid-1970s when Betws drift mine, these days one of the most profitable pits in the country, was being opened up.

This time the capital investment has gone into creating 10 high productivity faces at pits throughout the coalfield by introducing heavy duty power supports, (costing some £5m a set) and new generation shearing and conveying equipment. The net effect has been to boost south Wales's productivity from 1.6 tonnes per manshift just before the strike to, currently, 2.4 tonnes per manshift.

Approval for schemes involving investment of a further £80m over the next four years has also been given, the most important being £30m to open up new anthracite reserves for the Cynheidre colliery complex. Cynheidre has recently been plagued by poor geology and other problems as a result of mining deeper coal, but the nearby Carway Fawr seam, pin-pointed by a geological and seismic survey in 1983-84, contains an estimated 7.2m tonnes of relative undisturbed anthracite, one metre thick. It will be accessed by driving two 1,800 metre tunnels from the surface into the reserves. Construction will take about four years to complete.

This project is particularly important because it will increase output of a coal in relatively short supply; south west Wales has only sizeable reserves of real anthracite in Europe. Output from Carway is expected to build up to 500,000 tonnes a year and make a significant contribution to reducing imports of anthracite currently running at 350,000 tonnes annually.

To the same end, new investment is also going into other anthracite pits. Betws is spending £15m and Abernant £5m, on the development of new reserves.

South Wales is fortunate in producing a variety of coals which sell in different markets. Anthracite is popular as a smokeless domestic fuel, but the area also produces phurnacite smokeless fuel by processing other coals, and coking coal for the steel industry.

Whereas other coalfields in Britain are at least 80 per cent dependent upon the coal burn of Central Electricity Generating Board, only some 40 per cent of south Wales output is burnt in power stations.

This diversity of markets has assumed a new importance in the changing climate of the international energy market. Because the plummeting price of oil has made investment in new power station capacity relatively less attractive, the hope is that another long promised south Wales coal project—the sinking of a new coking coal mine at Margam—will now soon get the go-ahead. Mr Cliff Davies, British Coal's south Wales Director, has stuck his neck out and said that he expects approval before the end of the year.

Margam has already secured planning permission and will involve a capital expenditure of £85m over the next four to five years. Thereafter, it is forecast to produce 850,000 tonnes of coking coal a year with a workforce of just 700 miners. The quality of seams to be tapped are well established. They would yield precisely the quality of coking coal needed to complete the blend used by the British Steel Corporation's Port Talbot and Llanwern steelworks.

Robin Reeves

Industrial production

1980=100	1978	1981	1983
Coal and coke	102	96	88
Oil and natural gas	114	76	91
Energy and water	105	110	110
	108.4	89.9	93.6
Metal manufacture	130	115	114
Other minerals	112	91	101
Chemicals and man-made fibres	107	106	112
Metal goods n.e.s.	146	119	131
Mechanical engineering	108	90	74
Electrical and instrument engineering	104	100	119
Transport and vehicles	98	100	93
Food, drink and tobacco	94	95	101
Textiles, leather, footwear, clothing	96	104	111
Timber and wooden furniture	128	96	107
Paper, printing and publishing	101	95	101
Other manufacturing	121	106	75
	110.4	100.8	102.4
Construction	105.9	91.4	82.1
	109.1	96.5	96.7

Source: Welsh Office.

MAJOR PROPERTY DEALS

MAJOR property deals involving the Welsh Development Agency in the last 12 months include the following:

1—Letting of 20,000 sq ft advance factory at Cleppa Park Newport to Kyushu Matsushita Electric (KME) as a pilot plant for the production of typewriters, prior to the construction of a much larger production plant on the nearby Duffryn site.

2—Provision of 50,000 sq ft bespoke factory for ELAC at Bridgend Industrial Estate, Mid Glamorgan as part of major company expansion, producing loudspeakers. ELAC previously occupied two small nursery units on Bridgend Estate.

3—Sale of land at Waterton Industrial Estate, Mid Glamorgan—5.1 acres sold to Fiona Footwear to enable the company to construct its own new 100,000 sq ft plus production facility for the manufacture of footwear.

4—Sale of 377,000 sq ft to Fram Europe Ltd at Ynysmaerdy Industrial Estate, Llantrisant, Mid Glamorgan. Fram, having occupied these premises since 1977 as tenants, negotiated with the WDA to purchase the freehold.

5—Letting of 50,000 sq ft advance factory to Data Magnetics at Deeside Industrial Park, Clwyd for the manufacture of film for computer disc drives.

6—Letting of 25,000 sq ft advance factory to Crosby Discs at Rassau Industrial Estate, Heads of the Valleys, for the manufacture of compact discs.

7—Letting of 2 x 25,000 sq ft advance factories to I.S.E. England at East Moors Industrial Estate, Cardiff for the production of pine furniture.

8—Provision of 10,000 sq ft extension on to original 50,000 sq ft advance factory for AIWA at Penyfan, Gwent, producing high fidelity sound systems.

9—Provision of 50,000 sq ft extension to original 50,000 sq ft advance factory for Celatose at Rassau Industrial Estate, making disposable nappies.

New Barrage Schemes

No shortage of proposals

WALES IS being buffeted by a barrage of barrage proposals. No less than four barrage schemes have recently been the subject of promotion and appraisal, creating some understandable confusion in the minds not only of the general public but even some of those more closely involved.

● Barrage One is the ambitious proposal to harness the tidal energy of the Severn estuary for electricity generation, by building a 10-mile barrage from Lavernock Point near Penarth to Bream Down, near Weston super Mare.

The estuary has the second highest tidal rise and fall in the world and the idea of harnessing its energy has been a gleam in the eye of the civil engineering industry since Victorian times. Last month, the Government brought it a step nearer reality by agreeing to back further study of a detailed scheme to build the barrage at a cost of £5.5m put forward by a consortium of six of Britain's largest civil engineering companies.

The Severn Tidal Barrage Group, comprising Sir Robert McAlpine and Sons, Balfour Beatty, GEC Energy Systems, Northern Engineering Industries, Taylor Woodrow Construction and Wimpey Major Projects, calculates that on a 5 per cent rate of return, the proposed barrage could generate 5 per cent of Britain's electricity from 192 turbines at a cost of 3p a kilowatt hour, compared with over 4p in a new coal fired power station and the estimate of 2.9p for the Sizewell B pressurised water nuclear reactor. It would be built using large caissons rather than embankments. They would be towed from special preparation yards and then sunk into position.

Job creation

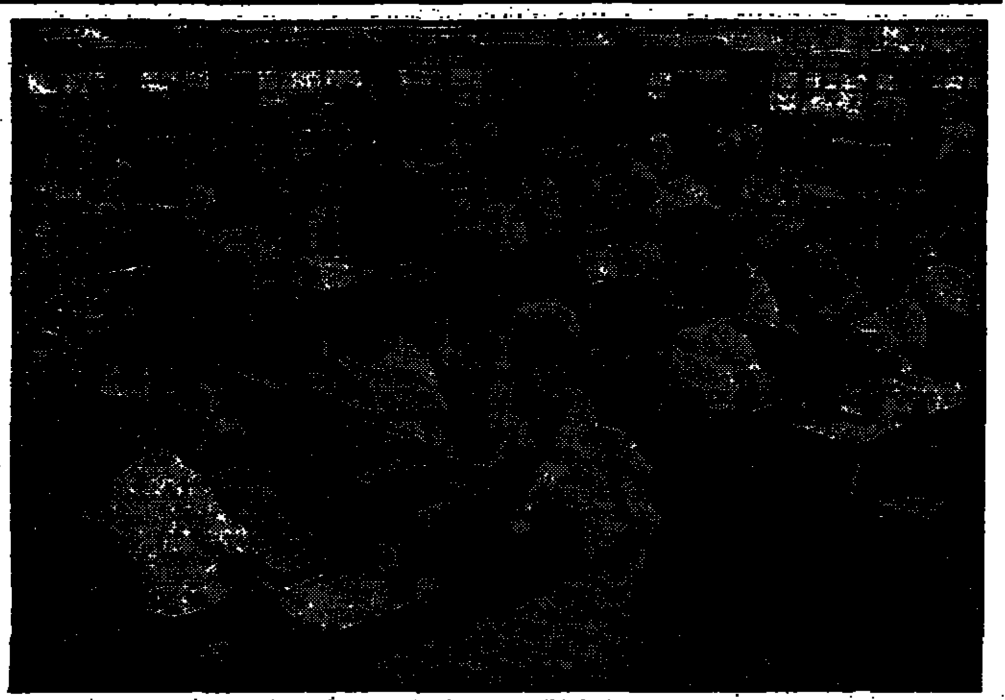
The backers also say that the barrage would create 44,600 jobs during construction, most of them in south Wales and on Severnside and 1,770 permanent positions. They also foresee an extra 20,600 jobs being created in tourism and leisure industries. Lock gates would be provided in the barrage for shipping and a road crossing could be incorporated, if wanted.

● Barrage Two is a less ambitious scheme at English Stones, downstream from the present Severn bridge. It was being promoted by a rival consortium but has now fallen by the wayside as support has grown for pursuing the more ambitious Barrage One.

Its attraction was that it was in the right spot to cary a second road crossing which would easily link in with the M4 and was relatively cheap. However, studies have indicated that a barrage at this spot would have become badly silted after 10 years, halving the water capacity and pushing up the cost of generating electricity to well above the figure for Barrage One. The Government has, in any case, announced that English Stones is to be the location for the second Severn bridge.

The other two proposed barrages in Wales are both associated with the redevelopment of south Cardiff, and one or other is bound to see the light of day soon.

● Barrage Three, which has just received parliamentary approval, is the brainchild of South Glamorgan County Council. Its main function would be to carry the new peripheral link road, being built around the south of Cardiff, across the Taff estuary. But, by creating a lake area upstream, it would also open up leisure and amenity opportunities.



Electrical components for domestic and lighting appliances are manufactured at Conlilock Electrical, one of the Mid Wales Development's high-specification factories on the Mochdre Industrial Estate, at Newton

The South Glamorgan barrage has been described as "Paddy's barrage" after Mr Paddy Kitson, chairman of the council's environment committee when the scheme was promoted and the local representative for the immediate docklands area.

● Barrage Four would extend from the entrance to Cardiff Docks to Penarth Head in order to create a far bigger inland water area than Barrage Three. This is sometimes described as "Nick's barrage," since it is being strongly supported by Mr Nicholas Edwards, the Secretary of State for Wales.

There is no question of both these barrages being built. If Nick's goes ahead, then Paddy's will not, and the peripheral link road will be carried across the estuary on a bridge or stilts. This seems the more likely outcome. Certainly, the preliminary appraisal of the Secretary of State's scheme by property consultants, Jones Lang and Wootton, is highly optimistic.

It perceives "a major innovative redevelopment scheme of regional, national and possibly international, importance which will enhance Cardiff's role as a capital city and also help the economy of south Wales and Wales more generally by attracting investment and creating employment."

The area involved, which extends to more than 1,000 acres, presents "a rare opportunity to develop a superb environmental setting which will have few, if any, competitors in Great Britain."

The initial JLW report stresses that, to realise its full potential, the site must make the most of competitive advantages over other locations in the UK. But "properly marketed and developed, we think that it could attract firms, decentralising from London, research and development, media and design companies, waterfront housing, speciality and festival shopping, leisure and tourism activities."

The cost of a barrage to enclose the whole of Cardiff Bay is estimated at about £45m by consulting engineers, Messrs Wallace Evans and Partners, who carried out the technical feasibility study.

But its construction, stresses JLW, is "crucial to unlock major development possibilities which should be of high quality and exploit the identity/marketing potential of modern architecture while building on south Wales' social and economic history."

JLW calculates that the subsequent increase in land values and inward investment in construction would be between £145m and £195m, plus construction investment which it was not able to estimate in the study areas outside identified sites.

At the same time, the JLW report warns that experience elsewhere has shown that redevelopment schemes of this scale are long-term (15 to 20 years), that they require "considerable" public funding for at least infrastructure, and that they need to be of top quality and require "vision, faith, stamina, talent, resources and usually a zealot in the lead."

Undeterred by the commitment of public funds which the proposal will clearly involve, Mr Edwards has asked for more detailed studies by the autumn with a view to getting the scheme written into the next revision of public expenditure estimates.

Thought is also being given to the administrative structure required to oversee such a major redevelopment. It could be an urban development corporation, but a more likely outcome seems to be a hybrid structure which will bring together the relevant functions of the Land Authority for Wales, and the county and city local authorities.

Considerations

The most serious obstacle at present appears to be the damage which the scheme would do to the area's wildlife. Cardiff Bay is a site of special scientific interest. It is important for its population of estuarial wading birds, notably the dunlin and redshank, and as such is covered by international agreements designed to prevent the disappearance of Europe's remaining wetlands.

According to the Wallace Evans study, the mud flats which would disappear if the barrage were built are currently used by about 10 per cent of the migrating birds using the Severn estuary. It would be no good leaving the mud flats partly exposed, since the water behind the barrage would in any case change from salt to fresh.

But the problem, which must be solved if the Government is to adhere to its international obligations, is now being looked at more closely by the Institute of Terrestrial Ecology. Wallace Evans has suggested that it might be possible to create a suitable environment for the migrating birds immediately outside the barrage.

Robin Reeves

The Japanese Connection

Deeper than just work

WALES HAS taken great pleasure, and no little pride, from its ability to attract Japanese companies. Satisfaction in having the largest single number in the UK (slightly dented by the decision of Nissan, the very largest of them, to go to the North East), was topped up last month when Matsushita decided to open a second factory in South Wales, to add Panasonic electronic typewriters at Newport to its television plant in Cardiff.

The Japanese connection goes deeper than just work. Wales pioneered rugby matches with the Japanese—and one of its famous sons, the comic Max Boyce, immortalised the matches in song. In return, the Japanese have taken part in garden parties and entered into the social life of the Welsh, a slightly different social life from what they might have experienced elsewhere in Britain because of the emphasis on linguistic culture.

But what do the Japanese really think about working in Wales? Have they been able to come to terms with a different industrial culture? Indeed, is it so much of a different culture for them despite the emphasis placed at home on identity with the corporation?

The industrial Welsh economy has been dominated until the last few years by heavy industry—coal, steel, textiles, railways, docks, aluminium, together with farming and tourism. What the Japanese have brought is an infusion of light industry, and television sets in particular. But have they been able to adapt a workforce, long geared to heavy work, towards a more nimble approach?

To some extent any problems have been mitigated by heavy recruitment of women, among whom traditional values and practices are less heavily felt. In South Wales, in particular, it is often easier for a woman to find work now than a man. The Japanese invasion has dove-tailed neatly with this trend.

Recent research by the Welsh Development Agency, to be published in the autumn, shows that the Japanese are very pleased indeed with Wales. Brother Industries, which has a typewriter plant in Wrexham, goes so far as to say that it would "repeat the investment process in Wales" if the opportunity arose.

One of the features found most satisfying was the ease of communication with the bureaucracy. The Welsh Office is an omnibus department and there is appreciation that decisons can be made under one roof, rather than having to run around between departments, as would happen in England—or Japan, for that matter.

But there is a warning against the Welsh taking too much for granted. Brother commented that any other Japanese investor should choose its location carefully to make sure existing Japanese companies have not completely tapped the supply of labour.

Wales has over 16 per cent unemployed; in parts of industrial South Wales it is much higher. There is clearly no fear in the immediate future that incoming investment will absorb the jobless.

Is the company therefore hinting that it sees a finite number of Japanese concerns operating in Wales, each with its established labour catchment area?

There is more direct concern over emerging skill shortages and the difficulty of establishing Japanese-style relationships with their component suppliers. These problems are not unique to Wales.

Wales, of course, benefits when investment decisions are being taken from the level of regional aid available. Unlike British businessmen, who invariably profess not to be unduly influenced by regional grants when taking decisions on plant location, the Japanese hardly, if ever, go outside a development area. They take every opportunity to benefit from what the system offers.

This gives Wales and some other parts of the country such as Merseyside, the North East and parts of Scotland, an inbuilt advantage and causes angst in places such as Swindon which believes they would otherwise have a great chance of attracting internationally mobile investment.

The overwhelming impression, though, is that the Japanese come to Wales because it is, in their minds, a successful place to be. The companies that are already there—a dozen of them—have proved to be successful.

The only place that the Japanese have not achieved success so far is on the rugby field. No doubt they also dream of one day beating Wales in the National stadium.

Anthony Moreton

Development of Financial Services

A catalyst for job creation

WHEN WALES'S only bank was taken over recently the reaction in the Principality was not one of injured national pride but a degree of satisfaction, and even relief.

The acquisition by Bank of Scotland of a 75 per cent stake in the 14-year-old Commercial Bank of Wales (CBW)—by far the biggest bang this year on the nascent Welsh financial scene—will give it a much more secure future and enable it to expand its activities, the Welsh bank's chief executive, Mr Malcolm Thomas, believes.

There is talk of a modest increase in bank branches, currently only six, though the emphasis is likely to remain on commercial lending to small and medium-sized businesses rather than the highly competitive retail banking field.

The extra resources that are expected to become available in due course will improve risk asset ratios, pleasing the Bank of England and enable bigger loans to be made. Some of the innovative products developed by the Bank of Scotland are also likely to be offered, though probably not its Visa card.

Perhaps most importantly the difficulties which might have arisen as a result of having a private individual—Jersey-based and 82-year-old Sir Julian Hodge — as principal shareholder with 28.5 per cent of the shares have been anticipated. Uncertainty, too, over the long-term intentions of the other main shareholder, the First National Bank of Chicago, which is known to have been looking again at some of its overseas investments, has also been removed.

There is also a wider significance, behind the move into Welsh financial services by Bank of Scotland which has been seeking to expand in England and Wales to reduce its reliance on the over-banked Scottish market.

Financial services have been one of the fastest-growing sectors of the UK economy over recent years, but remain relatively undeveloped in Wales. The number employed in banking and other financial services in Wales, according to the 1981 census, was just under 50,000, compared with 130,000 in Scotland and 115,000 in the south west. The total in Greater London was 568,000 with a further 285,000 in other parts of the south east.

Since then, the Welsh total has grown to an estimated 56,000, but it still represented only 5.8 per cent of Welsh jobs in 1984, compared with a national figure of 8.9 per cent.

The need for a more developed financial services sector in Wales has been seized upon by Mr Nicholas Edwards, the Welsh Secretary, and by others not just because of the jobs directly involved. The availability of financial services and in particular access to venture capital within a region can also provide the catalyst and support needed for the creation of jobs in manufacturing.

So far this is a furrow which, the CBW apart, the Welsh Development Agency has had to plough and seed very largely on its own. In response to what it saw as a need for venture capital the agency set up a venture capital subsidiary, Hafren, offering risk capital of £10,000 to £200,000.

Recently, it has established with the Development Capital

Mr Malcolm Thomas, chief executive of the Commercial Bank of Wales: he sees opportunities to develop merchant banking operations.

Group, the Welsh Venture Capital Funds which invests sums from £50,000 to £500,000 in unlisted companies and can arrange larger sums through syndication.

This year in a further move aimed at giving some reality to the concept of Cardiff as a financial centre the agency has joined with Charterhouse Japhet, Development Capital Group, English Trust, Venture Link, and WVCF to form the Cardiff Consortium. Entrepreneurs seeking funds up to £100,000 will be directed to whichever of the six participating funds is best suited to their requirements.

The Commercial Bank of Wales has also sought to address what has been seen as a shortage of venture capital by forming its own subsidiary, First Welsh General Investment, and it has formed a further fund, South Glamorgan Investments, jointly with South Glamorgan County Council for investing in the area.

Portfolio building in both cases, however, has been slow, lending some support to the counter argument that there is a greater shortage of viable projects in Wales, than of funds. The bank excuses its lack of success, however, on the limited amounts it has had available to date and the necessity to ensure risk was minimised.

The bank also sees an opportunity for itself in the absence in Wales of a fully-fledged merchant banking operation, a role in which it hopes to be able to co-operate with the Bank of Scotland's British Linen Bank subsidiary.

Two London institutions, Hill Samuel and Charterhouse closed down operations in Wales finding it as easy to service clients from London, but Malcolm Thomas believes the time may be right for a Welsh-based institution with a range of other activities to try.

The bank advised Avana when it acquired Robertson Foods in 1981 and managed its own full listing and loan stock and rights issues. It is hoping, too, that a wider range of business, particularly among small and medium-sized companies, will be stimulated by its new Business Centre operation.

This offers computer services, management consulting, and crucially for CBW's merchant banking ambitions, corporate financial advice, with a particular bias towards small business.

One development on which both CBW and a number of other institutions in Wales, including the clearing banks, have their eyes is the growth of management buy-outs, the first of which to come its way is now being handled by the bank.

Others have already been more active, in particular 3i, the clearing bank-owned specialist in the provision of permanent and long-term investment capital.

According to Charles Richardson, local director for Wales, the opportunities for buy-outs are disproportionately good in Wales because of the large number of branch operations, many of which will continue to come under review by their owners as a result of company mergers and the continuing quest for business efficiency.

3i which, with £7.725m invested last year, is one of the biggest suppliers of capital in Wales, has recently organised a buy-out of PD Engineering at Llantrisant from the Powell Duffryn group, and expects buy-outs to be one of its strongest growth areas over the next few years.

The emergence in Wales of might be termed an enterprise culture has also provided a spin-off for accountancy practices. Though several of the majors, including Deloitte and Touche Ross, were first attracted to south Wales before World War I by the wealth of coal and shipping companies, all eight big UK-US practices have now opened in Cardiff.

Leaving aside the desire not to be left out, one main reason is the growth of non-audit opportunities. According to Paul Twamley, partner in Deloitte's Cardiff office, the "employee" attitude which used to prevail in Wales has weakened with more people interested in running their own business. At the same time small to medium-sized family companies are less averse to taking in equity as a means of growing.

This in turn has generated venture capital activity and created opportunities for the accountancy practices in financial planning, and tax advice. Auditing, traditionally the bread-and-butter business of accountants, now represents in Deloitte's case only 40 per cent if its income in south Wales.

Welsh-based firms of solicitors have also begun to take advantage of the increasing financial activity, with several firms now specialising in corporate work, hitherto very much a London province.

Yet, for all the successes to date in establishing a wider range of Welsh financial services, mostly in Cardiff, there can be no illusions that the city can match even other provincial centres such as Edinburgh, Glasgow, Manchester or Birmingham.

There is no pool of funds in Cardiff, as there is in Edinburgh, available to be recycled within the regional economy.

There are only a handful of foreign banks in Cardiff and the limited amount of corporate business has left only a very attenuated stockbroking sector. The only indigenous broker of any size is Lyddon and Co., currently enjoying a strong business revival, partly as a result of the Government's privatisation programme, for which it has been made broker for south and mid-Wales.

There has been some movement into Wales, too, by stockbrokers based outside, some of it brought about by the pressure of Big Bang. In North Wales, for example, the Bangor-based broker, R. A. Coleman and Co. has been acquired by Granville and Co.

Murray and Co., a Birmingham stockbroker, owned by James Capel, has a branch in Cardiff as, too, does Heseltine, Moss part of Brown Shipley, which has acquired Cardiff and Swansea broker, Care, Rowland.

Lyddon & Co, is merging with six other provincial brokers in a move brought on by the City revolution. While retaining its identity it will become a wholly-owned subsidiary of the National Investment Group which will itself have the financial backing of Royal Insurance and Smith New Court, a 29.6 per cent subsidiary of N. M. Rothschild.

Yet, although the picture is mixed, with London, a mere two hours away by train, inevitably the main provider of a whole range of services, the growth that has taken place cannot be discounted.

How close Wales is to critical mass — the point at which other businesses move in because they cannot afford to be away, and at which some of the gaps which still exist in the Welsh financial services scene begin to be filled — only time will tell.

Rhys David

Employment by Industry

%	Wales 1984	UK 1984
Agriculture, forestry, fishing	2.4	1.6
Energy and water supply	5.5	3.0
Metals, minerals and chemicals	6.4	3.8
Metal goods, engineering and motor vehicles	9.5	12.3
Other manufacturing	7.3	10.1
Construction	5.1	4.6
Distribution, hotels and catering, repairs	19.4	20.4
Transport and communication	4.8	6.2
Banking, finance, insurance, business services and leasing	5.8	8.9
Public administration and other services	33.8	29.2
TOTAL ('000s)	962	21,159

Source: Department of Employment, 1984.

Business Services

Upsurge in demand

"TEN YEARS ago the bulk of our business was coming from outside Wales, with only a handful of Welsh companies then interested in public relations," observes Mike Smith, managing director of GSPR, part of Wales's biggest communications group, Golley Slater and Partners.

Since then, and in particular over the last five years, work in Wales has expanded rapidly. With fee income of around £500,000 from a client list which includes manufacturing companies Parke Davis, Re Chem, Dow Corning and Monsanto, and the Cardiff office of accountants Peat Marwick, GSPR now ranks 48 on PR Week's UK PR-listing and fourth among provincial agencies.

The Golley Slater group which consists of nine autonomous companies in various media services spread around the UK has expanded into other media activities including telephone marketing and lists as clients for its agency services such big spenders, by Welsh standards, as the Wales Tourist Board and the Welsh Development Agency.

Similar strong demand for its services is also being experienced by the biggest indigenous Welsh firm of management consultants, IMC Consulting Group, founded in 1968 and now up to a strength of 20 consultants, operating throughout the UK from branches in Manchester and Cirencester as well as Cardiff.

Its current list of clients includes in Wales the WDA for which it is undertaking management training and the Manpower Service Commission, but perhaps significantly its public sector business is now a much smaller proportion of an increased workload than at the depth of the recession five years ago.

"We have seen a big upsurge in demand from the private sector, reports IMC's founder and chairman, Alan Rosser. Clients in Wales include Allied Steel and Wire and Pilkington EO, both of which IMC is helping with management development.

"We are getting much more work developing marketing strategies for companies which want to get to the marketplace in a more efficient way," he adds.

After a long period when fire-fighting was the main pre-occupation companies are now paying much more attention to the development of their executive teams so that they can undertake bigger tasks in future, Rosser suggests.

Yet for all the growth noted by individual organisations the development of the business services sector as a whole—advertising, market research, recruitment services and management and computer consultancy as well as PR—is proceeding only slowly in Wales.

As the providers of financial services have found, Wales is predominantly a branch office economy with most of the decisions taken elsewhere. As such the tendency is for major non-Welsh organisations operating in Wales to use business services located close to their head offices.

"In the private sector, the Welsh operation is very often manufacturing only, with marketing decisions being taken at base. The larger public sector bodies in Wales tend to have their own public relations," observes Mike Smith. As a result most of the PR firms in Wales tend to be one-man bands or, at best, small partnerships.

The advertising sector in Wales remains small for similar reasons. There are no major Welsh based retail chains operating nationally and no big consumer products groups with a complete range of marketing functions located in Wales.

The Welsh newspaper industry is small, compared with its Scottish counterpart, and the Welsh television contractor, HTV, has a relatively small domestic market. The demand for advertising services in Wales is therefore small, with two companies, Golley Slater and Royds, recently acquired from Extel Group by the US group McCann Erickson, the two main operators.

In management consultancy, the field is similarly thin with major groups such as PA International and P-E Consulting Services serving Welsh clients from elsewhere.

The major international accountancy firms are all represented in Cardiff and all offer the services of management consultants, but in some cases through their London offices. Of the big London chartered surveyors, only Debenham, Tewson and Chinnocks has a Welsh operation and that exists mainly to service a single large client.

In recruitment services, Hoggett Bowers, now part of the fast-growing cleaning to personnel group, Blue Arrow, has one of its regional offices in Cardiff and one of the specialist accountancy recruitment agencies, Accountancy Personnel, has a Cardiff office, too.

Cardiff in general, however, has a much less developed business services sector than Bristol, its rival across the Severn Estuary, which has established strong clusters of firms in advertising, public relations, management consultancy, computer consultancy and other business services.

Yet, though progress has been slow, there are some signs the pace of development may be picking up. The growth in financial services is providing some stimulus, with firms of accountants and solicitors, for example, beginning to use public relations.

Opportunities are developing, too, as a result of the growth of small and medium-sized companies which the generally small-sized Welsh PR agencies are well-equipped to fill.

"Many companies in Wales have perhaps £10,000 in total to spend on promotion and want an overall package. This might include half a dozen technical leaflets, mail shots, and a couple of press conferences, plus some advertising," observes Mike Smith.

"This type of business can be much more easily provided on the spot by a local agency than by a London house."

New PR businesses are also being set up to exploit other niches in the market. One such venture is Capital Relations which brings together several well-known personalities in Wales, including former Welsh rugby international, Gerald Davies.

In management consultancy there has been some growth in the number of small practices in Wales, many of them offering specialised advice in fields such as computers, and the Commercial Bank of Wales, partly with an eye to building up its banking business base, has recently set up Business Centre Wales, offering a range of consulting services.

This extension of grants reflected both the job-creating potential of service industries and the particular importance to the regions of business services because of the role they can play in encouraging and assisting the development and growth of manufacturing enterprises.

Companies in certain parts of Wales can also receive grant help towards the cost of employing business services such as market research and this, too, should help to create a demand for locally-supplied specialist services, as Wendy Bailey, managing director of Golley Slater's Cardiff recruitment and telephone marketing operations points out.

Despite the availability of incentives, however, development of business services seems more likely to be tied to whatever growth takes place in decision-making in Wales. At present, the Principality has comparatively few manufacturing or services head offices, though this is compensated for to some extent by a large number of Welsh institutions, mostly in the public sector.

Rhys David

Key financial statistics

● Gross domestic product per head (£)				
		1975	1982	1984
Wales	1,491	2,865	3,461	3,975
UK	1,682	3,339	3,983	4,616
Welsh % of UK	88.7	85.1	86.6	86.1
● Personal disposable income per head (£)				
	1975	1982	1984	
Wales	1,231	3,068	3,483	
UK	1,331	3,386	3,904	
Welsh % of UK	92.5	90.6	87.2	
● Consumer expenditure per head (£)				
	1975	1980	1982	1984
Wales		1,046	2,694	3,040
UK		1,169	2,958	3,446
Welsh % of UK		90.2	91.2	88.2

Source: Central Statistical Office.

● Right: teenagers from many parts of Europe gained an insight into the working of rural communities when they attended the first-ever European Sixth Form Conference, organised by Mid Wales Development at Aberystwyth University, earlier this year.

Rural Economy

Fresh boost for Mid Wales

IAN SKEWIS sits in his office overlooking Newtown and, such is the architecture of the building, feels like an air-traffic controller at a modern airport. But Dr Skewis controls not aircraft taking off and landing but the future of Mid Wales.

As chief executive of Mid Wales Development he controls an organisation that accounts for 40 per cent of the land mass of the Principality but only 8 per cent of the population. The analogy with the air traffic controller, though, is not inapt; considerable skills are needed to balance the needs of places as diverse as south Ceredigion, where there is serious unemployment, and Welshpool or Newtown itself where he could attract even more industry if he had the money to put up advance factories.

"We need about 2,400 jobs a year between now and 1990 to provide work for the rising population and to improve the attractiveness of the area to young people," he says.

"Last year we probably hit that figure but it was not easy and it will not be easy in future."

The problem facing Dr Skewis, a Scot who faced a similar situation in the Scottish Highlands and Islands before he migrated south, is the familiar one that few institutions or developers in the private sector will look much beyond the confines of the south east and the Home Counties. Commercial rents in Mid Wales are running at about £2 a square foot and the private sector would almost certainly want £3.50 to £4 before dipping a toe into the area.

Mid Wales Development, an arm of government, therefore has to be "nursemaid" for embryonic industry. It has, so far, been remarkably successful despite budgetary constraints and even though Dr Skewis denies the agency is just a provider of buildings.

"We are often thought of as a factory-builder, but in terms of time spent by the organisation we are much more concerned with business generation. Enterprise culture is what we are all about," he says.

Nevertheless, "if we could find a way to attract the private sector it would be enormously beneficial for us since for every £1 they put in I would have £1 to invest in other directions." It is an admission said with a more than wistful air.

Despite his natural wish to see more outside capital, Mid Wales has found itself back on a rising trend after a couple of fallow years. The amount of factory space let in 1985-86, a record at 342,000 sq ft, was over 50 per cent higher than the previous year and the best since 1982-83.

Equally, records were also set for the number of factories let, completed and provided. The indications are that the current year will also be good since the level of inquiries is running at about 300 a month, half as much again as a year ago.

Some factories remain available in the western part of the area, around the coastal towns of Aberystwyth, Cardigan and Tywyn, a difficult part to attract industry because of the distances from markets, but in the east it is extremly difficult to find an off-the-peg larger unit —"large," in Mid Wales terms, equals anything over 10,000 sq ft.

The success in lettings coincides with a change of marketing direction. Until 1982, three-quarters of lettings arose out of inward investment from elsewhere in the UK; subsequently, three-quarters came from developments within Mid Wales itself. Now following a strong marketing programme in the South East of England, the figure has reversed itself again and 60 per cent of all lettings are once more from outside the area.

Mid Wales has seen great success in helping foster the growth of Laura Ashley within the region. Laura Ashley is one of the fastest-growing British clothing companies and a company of international standing. It has its world headquarters in Carno, little more than a village to the west of Newtown.

With Mid Wales' help, Laura Ashley has expanded by opening factories in Newtown itself, Machynlleth, Welshpool and Llanidloes and, with 1,200 employees in the area has become the largest private-sector employer.

There have been other successes: Floform, a light engineering concern, employs 500 in Welshpool; Ed Walters, another clothing company, has almost as many in Builth Wells, Aberystwyth, Machynlleth and Knighton; and Setton and Durwood, in office supplies, has nearly 200 at Llandrindod Wells.

Alongside the factory programme, Mid Wales is also deeply involved in projects. It is pushing hard to get an airport at Caersws. The Civil Aviation Authority has approved the scheme, which will cost just under £1.5m, but the problem is money. At Aberystwyth, the corporation is co-operating in a harbour project; and there is another development around the town's railway station.

Other projects include the science park in Newtown itself and a half-brother in Aberystwyth, also co-operation with British Rail over certain lines, especially the London-Aberystwyth link, and a scheme with British Telecom. "In all these, we put in strategic sums to get them moving," Dr Skewiss says. "Then we hope others will take up the running—and the paying."

There are black spots. Roads are number one priority Welsh Office plans have concentrated first on the east-west link in South Wales and their attendant feeders from the valleys, and secondly, on the east-west spine along the North Wales coast.

In England, the Department of Transport has improved the M54 extension to the Welsh border where, despite planned bypasses for towns such as Welshpool, Llanidloes, Newtown, Chirk and Ruabon there is still no strategic government plan for the area as a whole. In consequence, it remains difficult to reach the Cardigan Bay coast and development must inevitably be stifled.

Mid Wales would like the M54 to be extended in to Welshpool, South Ceredigion to be linked to the M4 in the south and the A44—a "deplorable road," according to Dr Skewis—to be improved.

Another black spot concerns the timber industry—surprisingly, since Wales has strong concentrations of Forestry Commission land. Two of the area's three timber yards have been closed, leaving only one main sawmill in Wales—Western Softwood, at Newbridge-on-Wye.

"There must be something wrong when Wales cannot generate its own supplies," says Dr Skewis. "Wood and rain is what we have plenty of."

The strategy now is to encourage the enterprise culture so that the rising working population can be sustained economically. Dr Skewis detects in the results for 1985-86 and the early trends for the current year a reversal of the past few years and a gathering momentum for the little towns and villages of this area which he calls "one of the most beautiful parts of Britain"—high praise coming from a Scot, even if an expatriate one.

Anthony Moreton

Switch from livestock to game farming

TEN YEARS AGO, Charles Grisedale took over Banc Farm at Cross Hand in Dyfed and changed it from dairying to beef and sheep.

Banc Farm was fairly typical of the area in size and produce, but it was Mr Grisedale's interest in shooting that produced the greatest change since then as it now is also a game farm.

"I had always been interested in shooting," says Mr Grisedale. "I decided to turn that interest into a commercial proposition.

"We started dabbling with shooting and game some years ago and in 1985 decided to put it on a proper footing. The Dyfed Game Farm is, I believe, now the biggest in Wales."

Beef cows and sheep still populate the farm but a corner has been set aside for the shooting. Pheasants, partridge and ducks are reared and released into the coveys and rough ground.

While the game farm is open to shooting parties there is also an instructional course and Mr Grisedale is aiming in particular at companies that might want to reward or teach their middle executives country matters.

Beginners are introduced to shooting via clay pigeons and only move on to live birds when they have acquired a sufficient degree of competence with a gun.

Ten years ago Mr Grisedale employed one farm worker; with the game farm in occupation he now has a staff of 10 and on occasions there are as many as 13 to 14, so the school has had a beneficial if small economic effect on the community.

Charles Grisedale also claims that his initiative is helping the environment in that other farmers are becoming increasingly aware of the needs of the countryside, protecting hedges, keeping some rough land, digging ponds.

For those who have been successful on the course there is the customary brace of birds to be taken home at the end. For Mr Grisedale, there is a growing market for game in the local hotels. A bird in hand is clearly worth more than any number in the bush.

A. M.

New Roads and the North

Big improvements in infrastructure

THE A55 road, as it skirts the seafront between Abergele and Colwyn Bay, has been called "the North Wales corniche." The modern dual carriageway links St Asaph with Llandudno Junction and will soon burrow under the Conwy, taking care not to undermine the foundations of Edward I's magnificent castle.

Not so long ago the road was more aptly named "the North Wales nightmare." In summer, it was clogged by holiday traffic forcing itself slowly along an old highway through old towns such as Hawarden, Holywell, St Asaph, Abergele and Colwyn Bay. In winter, when the holidaymakers had gone, there was the commercial traffic.

With the completion of the South Wales roads network, based on the M4 Motorway, the Welsh Office has more recently switched its attention to the North Wales "spine" and a £480m programme, spread over more than a decade, has brought improvements with even more to come.

Apart from the tunnel under the Conwy and the dual carriageway west from St Asaph an £18m bypass is being built around Holywell and should be completed next month. Another bypass, for Bodwewyddan, costing £4.1m, is ahead of target

Further work on the A55 itself and other projects around towns such as Ruabon and Chirk are intended to weld North Wales into the English motorway network and improve the infrastructure of the area.

To the west, beyond the Conwy into Gwynedd these improvements will largely benefit the tourist industry, a major income earner in North Wales. There is tourism in Clwyd, the eastern half of North Wales, too, but the new roads there will principally benefit industry.

Clwyd has taken a battering in the last five years. Large closures at British Steel's Shotton site and Courtauld's Greenfield plant, north of Flint, as well as others smaller in number but no less significant, have seen unemployment in the county jump to 17 per cent, above both the Welsh and British averages.

Mr Nicholas Edwards, Secretary of State for Wales: special interest in the country's industrial drive.

Traditional industries such as coal, steel and textiles have all but gone, yet in their place has some a wide variety of modern alternatives. Japanese concerns such as Sharp, Brother and Hoya are recent arrivals, joined by Finland's Shotton Paper, Sweden's Tetrapak, America's Squib Surgicare and Optical Fibres, in which the UK's Pilkington also has a shareholding.

These are only the tip of the industrial iceberg that is populating the successful Deeside Industrial Park and other zones such as the enterprise zone at Flint.

Clwyd County Council has acquired 500 acres of Deeside and has already reclaimed 150 acres of the site for industrial purposes. It hopes the remaining 350 acres will be chosen as the site for the 1992 Garden Festival that is to be held in Wales. Within two months it should know if it has shaken off a challenge from Swansea, Cardiff and Ebbw Vale.

A Garden Festival would be a catalyst for the whole of North East Wales, not just around the site, and would come just as the area is beginning to show industrial returns. The enterprise zone, for instance, is, in the opinion of Mr Derek Griffin, the county's economic development officer, "just about to lift off."

The strength of Clwyd, he says, is "not just that it has gone for the electronics companies that everyone is after so much" as the spread of concerns which have been induced in, attracted by the nearness to Manchester airport, the second most important in the UK, and the industrial base of the north-west of England.

"Newcomers realise they can use the northern university belt —five within an hour's drive of Mold—and reach their markets easily. There are about 45 overseas companies in the area and we now have a spread that includes plastics, packaging, woodprocessing, office equipment and medical supplies."

In addition, at Wrexham a high-technology park is to be built by the Welsh Development Agency which recognises and will cater for the need for specialist industry. A "medtech" park, aimed at the medical industry generally and accompanied by an institute of health studies, will take the area into bio-technology.

There are plans to incorporate a private hospital on the site which, with the major general hospital, will give Wrexham a decided "Dr Kildare" look about it, say planners.

Industrially, there is a strong demand for small factory units, demand that the WDA is unable fully to meet, and attempts are being made to attract developers. But, as elsewhere, with rents low the private sector is unwilling to commit itself and the battle to bring in new capital is as hard and unrewarding here as in other parts of Britain, outside the Home Counties.

The other problem facing the authorities is that of finding jobs for men. Many of the newcomers essentially provide work for women. With so many of redundancies among men from the traditional industries, the search for suitable industry to accommodate men is a pressing one.

A Finnish company, arriving in the autumn, will go some way towards meeting this need. It will offer 70 jobs, almost all to men—a small step, but a welcome one in the reshaping of the economy.

A. M.

Tourism Development

Investment level remains healthy

WHEN HOLIDAY INN opened its 182-bedroomed hotel in Cardiff in July, the Wales Tourist Board ran up almost as many flags as the hotel did on its forecourt.

The international hotel will consolidate Cardiff as a conference centre of top rank and a business centre to match Britain's other leading cities. For tourism today is not just about sitting on beaches or attracting visitors; it is also about servicing the facilities that a country like Wales has to offer.

The Cardiff Holiday Inn, which is likely to be followed by another in Swansea, has opened at an appropriate time.

Earnings from visitors fell by some 2 per cent last year and the omens during the disappointing early months of this year were not good for an upturn. But, according to Mr Paul Loveluck, chief executive of the Board, the level of investment intentions is keeping up well, which is the best guide to the future.

Applications for grants to build or refurbish hotels is "very high," he says, which shows "an underlying confidence in the medium-term."

His chairman, Mr Prys Edwards, an Aberystwyth architect, supports him. "There has been a movement away from over-concentration on summer holidays in Wales, which is a good thing. We have been keenly promoting second holidays, short breaks and the business trade.

"We must not ignore the holidaymaker, since we have so much to offer. But our policy is to develop a wider trade in order to provide a better economic base for the country."

The holiday-maker will continue to be catered for. Mr Loveluck argues, however, that this will not be done so much through large theme parks, on the Disneyland mould, which have been attempted elsewhere in Britain.

Rather, Wales will seek to develop festivals and events, such as the Cardiff proms, the Big Pit at Brynmawr, where visitors can go underground and see what a pit (for long, mainstay of the Welsh economy) was really like, a heritage park in the Rhondda, at the Ty Mawr Lewis Merthyr colliery, developing the progress of coal into an industrial fuel, and a south centre in south Cardiff.

"We want lots of venues which people can go to while travelling round the country," Mr Loveluck says. "We want them all over the place so that they, and the delegates to conferences on their days off, or their wives, can say they had a good time here as well as a profitable one commercially."

Other projects concern a strategic development plan for Holywell, work on Aberystwyth harbour, a leisure centre at Barmouth, a water development to take advantage of Milford Haven's superb natural facilities and improvements to the Montgomery canal.

In addition, the board has persuaded the French group Campanile to open its budget hotels in both Cardiff and Newport. Mr Loveluck hopes these developments will draw some of Britain's holiday spending "away from the conventional milk run between London and Edinburgh."

A. M.

MANAGEMENT

EDITED BY CHRISTOPHER LORENZ

The guru factor

The grand old man of provocative punditry

Christopher Lorenz describes the pervasive influence of Peter Drucker

IF Peter Drucker is to be believed, the young Friedrich Engels might never have made his seminal observations of the British working class if his family had not been scandalised by his sexual behaviour. "He had a habit of living with several women at once — he specialised in sisters," says Drucker. "He was sent out of his native Germany to be less of an embarrassment."

The Manchester cotton mill to which Engels was dispatched had only about 300 employees. But it was, according to Drucker, the largest in Britain at the time.

With an impish grin, the 76-year-old pundit uses the scurrilous story to dramatise his argument that the entrepreneurial wave of the late 19th century was far less painful to manage than is its equivalent a century later. The rate of innovation between 1860 and 1914, in society and business organisation, as well as technology, was just as rapid as it is now, he says. "The difference is that there weren't many institutions, or they were small [like the Manchester cotton mill], so the new didn't really have to displace the old."

"Today, existing companies will really have to change dramatically if they are to survive beyond the next 15 to 20 years."

The anecdote is pure Drucker. The grand old man of management theory and literature, with 23 books, thousands of articles, and millions of readers to his name, has an immense sense of history. It is seldom the authorised version of events: Engels' penchant for sisters is generally thought to have developed after he arrived in Manchester, not before.

Drucker's erudition underpins all his provocative commentary on modern business. His cool, deliberate analysis of society, economics, organisation structures, motivation, marketing—and the myriad other issues on which he has pronounced with great influence over the years—is peppered with a constant flow of references and parallels drawn from history, as well as from medical science, music, even the nursery. In the case of entrepreneurship and innovation, which occupies him powerfully these days, he combines music and the nursery, with such observations as "for the first four years, no new enterprise produces profits. Even Mozart didn't start writing music until he was four."

But this "old journalist," as he delights in calling himself—he used to write for the Financial Times, and still does a column for the Wall Street Journal—is not merely a master of the quick insight, the aphorism, the analogy and the metaphor. Nor is he just an ageing guru, a word he hates because he considers it synonymous with "charlatan."

He is certainly "one of the last encyclopaedics," as he was introduced at a Management Centre Europe conference this summer, when he made his annual foray from his California home to a small group of European countries, including Austria, where he was born. His knowledge covers a remarkable range of topics, from politics and economics right across to literature, biology and Oriental art, in which he is recognised as an authority even by the Japanese.

But he is much more than that. So all-embracing is Drucker's contribution to both the practice and study of business that one fellow pundit dubs him "the management equivalent of Karl Marx."

Tom Peters, co-author of the million-selling *In Search of Excellence*, is more explicit. Drucker, he says, "has had an extraordinary influence on millions of businessmen all over the world—not only in the US and Europe, but especially in Japan. His impact has declined over the past decade because he's been unfairly seen as the father of post-war 'rational' management, which has come a cropper. But individuals who listen carefully to him know he's alive, well, and awake."

The most thoughtful analyst of Drucker's contribution, Alan Kantrow of the Harvard Business School, says that "many of his ideas have become part and parcel of today's common-sense understanding of business. He has had a pervasive influence." Though by no means all his ideas are original, Drucker's real value, says Kantrow, lies in the rigour with which they are formulated. "One can learn more—and more deeply—from watching him think than from studying the content of his thought," comments Kantrow.

This gives the clue as to why Drucker can be so easily underrated: one has to listen to him for a long time, or read his best books with care, to realise that his immensely broad sweep of knowledge, and his ability to analyse it, are more than skin-deep.

Many managers do just that. Whether they work for Shell, Gillette, a large hospital complex, or a medium-sized shipping company, they still pay repeat visits in their thousands to sit at his feet, or buy his latest book. One executive at a leading US multinational talks of needing his "Drucker fix" every two or three years.

Drucker's reputation among many practitioners as the father of post-war management goes back to two of his early works, *Concept of the Corporation* in 1946, and *The Practice of Management* in 1954. The former, a study of the workings of General Motors, was the first detailed account of the way a large company operates. The latter, to which Drucker disciples (including most of the younger gurus) make constant reference, contained pathfinding work on such varied topics as the key role of marketing; the importance of clear objectives, both for the corporation and for the manager; and the need to balance long-term strategy and innovation against short-term performance.

Together with Drucker's constant flow of later books and articles, this early work laid the foundation for such basic principles of modern business as asking: "What business are we in, and who are our customers?" It dealt with the recruitment and development of executives, the proper role of boards of directors, the defence of profits as an essential foundation of future survival, and the development of the responsible and productive worker. Only on the last of these counts did Drucker's principles fail to be translated into practice (in the West, though, not in Japan). Drucker calls this "my most conspicuous failure"; only now that Japan has shown the way is it being taken seriously, he grumbles.

That Drucker sometimes expresses himself simplistically, doing little apparent justice to his heavyweight status, is the result of his view that ideas have to be simplified, often to the limit, in order to be effective. "My best ideas have only one moving part," he said a few years ago, commenting on a controversial newspaper article he had written about "the five rules of successful acquisition."

Yet, paradoxically, he castigates some of today's gurus for making things look too simple and easy. "That's dangerous and destructive," he says. "Things are far more complicated than one thinks."

It is Drucker's ability to examine complex issues in depth, while also relating them to each other, that has had such a strong influence on the study of management, yet which — another paradox — has landed him in such bad odour with most business academics. "He is vastly undervalued by most academics," says Tom Peters. In several years at Stanford University, first as a masters student and then as a doctoral candidate, Peters found that "Drucker wasn't mentioned once. None of his work was on our reading lists."

Things are little better at Harvard, a more practice-minded establishment, even though it has offered Drucker a professorship four times—he chose instead to take up appointments at several lesser institutions. Nor does Drucker rate much of a mention in most histories of management thought.

All this is in spite of the fact that, as Peters puts it, "Drucker was the first to provide an intellectual framework to analyse the corporation."

Drucker's own explanation of his relations with academe is most revealing, not only of his own character and that of the university system, but of the nature of high-class gurudom. "Earlier theorists wrote only for a small circle," he says. "Even today it's impossible to read Chester Barnard—his jargon is impenetrable.

"I put together the bits and pieces of the jigsaw, including what was missing, such as the role of top management, strategy, management-by-objectives, entrepreneurship and innovation. I went to work on it and built a discipline. But I have a deep horror of obscurity and arrogance, so I presented it in a form that people could apply. I don't believe in specialisation, and academia has always resented that." In Tom Peters' words: "Drucker has effectively by-passed the intellectual establishment. So it's not surprising that they've hated his guts."

With the passing years, relations have become a little less strained. The Academy of Management, the foremost assembly of business academics, chose Drucker as one of two "distinguished speakers" at its 50th anniversary meeting in Chicago last month; the other was one of America's foremost academics Professor Herbert Simon, a Nobel prize-winner.

Unlike most of the previous generation, several of the new wave of top US academics, in a wide range of disciplines, pay open tribute to Drucker's impact on their own work. Rosabeth Moss Kanter, a Yale professor who has just moved to a new Harvard chair in innovation and entrepreneurship, admits to having been influenced heavily by Drucker's early writings on the differences between the management of new and existing businesses. She says "his sense of being able to foretell the future is remarkable."

Not everyone would agree. No amount of protestation from Drucker about the importance of small business seems able to dislodge his traditional identification with the notion that the large corporation is the centrepiece of society. And, as Peters points out, Drucker is still attributed with the old, excessively rational, view of the management process.

Nor, despite his praise in 1954 and ever since for Douglas McGregor's "Theory Y," does he seem to fit comfortably into the newly-revived school of enlightened motivation. He tends to use tell-tale phrases such as "the basic task of management is to *make* (our italics) people productive." Peters et al would prefer the verb "encourage." In the words of one long-standing student of Drucker's writing, "he's always been a bit too top-down."

In a sense, too, Drucker could be accused of having lost something of the vitality of his earlier years. Today's business community is searching for more advice on how to stimulate entrepreneurship and innovation, and how to manage joint ventures and strategic alliances. Drucker is writing about such issues extensively at present, yet his basic view is "we already know how to do all that—just organise yourself properly." Pressed on the point, he concedes that a lot of academic work still remains to be done in these fields. But he says it is "clinical" activity, rather than the sort of original contribution that he and others made in the past.

Right across the management spectrum, he claims, "the academic work that's being done is on perfecting things—it's variations on themes we all discovered some time ago." Business studies may, therefore, have entered a long and rather sterile period, he suggests, though there will still be room for filling in the gaps. There is also still lots of scope for making things more persuasive, he predicts—a view which tends to belie one of his other assertions, that the management guru wave has broken.

The main exception to his view of the rather arid future of management studies concerns management as a social function. "We have become a society of organisations," he says (a familiar Druckerism). "Yet who takes care of the public good?"

The need for much better management extends not only to private enterprise, he argues, but also to the public sector and, much more broadly, to the body politic itself. "Politics has become the theatre of the absurd, with politicians declaiming in front of an empty audience, just like the Comedie Française. There's a new pluralism in society that we don't understand but that we have to make work."

The major new challenges for management lie well beyond its commonly accepted field of operations, Drucker told the academics in Chicago last month. In the process of developing into "the distinct organ of our society" over the past 50 years, he argued, management had become intricately bound up with political, legal and social issues. It had, in other words, become "affected with the public interest."

To work out what this implied, for both theory and practice, would constitute the prime management agenda of the next 50 years, he forecast.

Peter Drucker may be a little weary of the "old" issues, as he sees them, but 40 years after his first breakthrough into management he is still extending its boundaries with his customary energy and clarity of mind.

Previous articles in this series appeared on June 30, July 2, 7, 14, 21, 28, August 4 and 18. The series continues on alternate Mondays.

Charles Batchelor reports on the growth of international counterfeiting

The war on product pirates

A WEALTHY Nigerian or Saudi Arabian can today enjoy many of the comforts and obtain most of the essentials of modern living without buying a single product from the legitimate manufacturer.

A worldwide industry in counterfeit products, estimated to be worth $60bn a year, can provide him with designer label clothing, his favourite music on audio cassette and the latest films on video.

His wife's expensive perfume, an exclusive French-designed handbag and upmarket Swiss watch may not be all that they seem. And the absorbing round of Monopoly to which his children are settling down may be a counterfeit.

Nigeria and Saudi Arabia are by no means the only countries where counterfeit products are available; indeed, any country with wealthy consumers presents a tempting target for the pirate workshops of the Far East, Latin America, Southern Europe and the Eastern Bloc.

"The popular conception is that counterfeiting is a cottage industry," says Mr Jack Heslop, assistant director of the London-based Counterfeiting Intelligence Bureau, a recent offshoot of the International Chamber of Commerce. "In fact, it has become a major industry, very sophisticated and showing growing evidence of the involvement of organised crime. You could almost say that if your goods are not being counterfeited you are not making the right products."

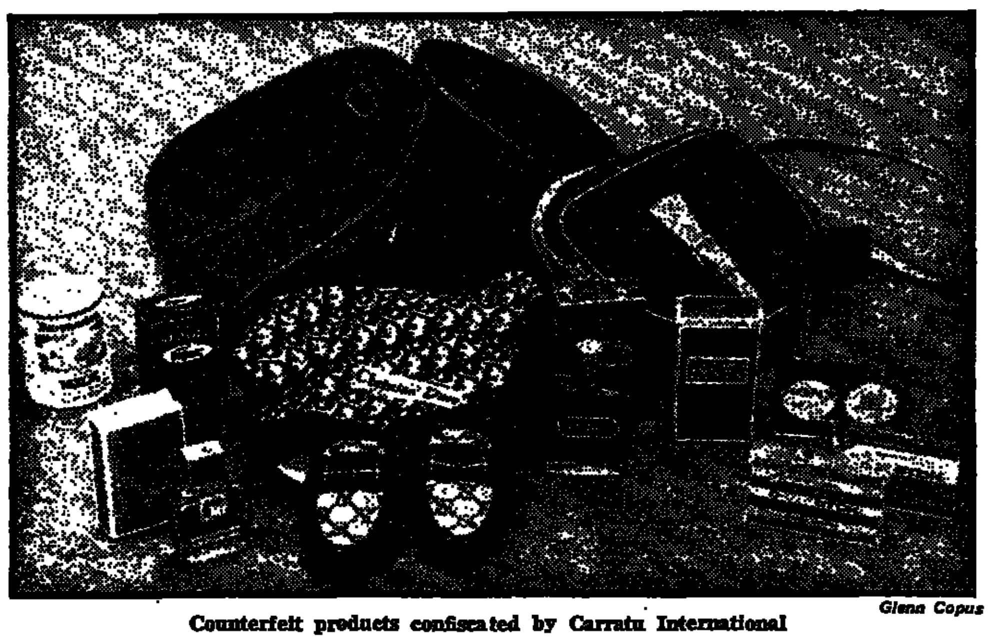
"You name it, they will copy it," confirms Mr Vincent Carratu, a private investigator specialising in product piracy.

The boardroom of Mr Carratu's offices in south-west London contains his "black museum"—shelf upon shelf of fake perfumes, clothing, leather goods, drugs, car parts, even toothpaste. Some are obviously copies but many would fool the average buyer. Counterfeiting has become big business over the past decade.

Third World counterfeiters are estimated to cost the North American vehicle component industry £2.7bn a year while British manufacturers lose £100m worth of sales.

The record and audio cassette industries lose an estimated $1.2bn annually from pirated sound recordings. One in four of the 2bn records and cassettes sold around the world each year is a fake. Pirated books cost British publishers £130m in sales a year.

The activities of the pirates are also hitting employment. The Americans estimate they may have lost as many as 250,000 jobs through counterfeiting while one British estimate is that 100,000 jobs have been lost in the UK.



Counterfeit products confiscated by Carratu International

Glenn Copus

More indefinably, counterfeits damage reputations. Pharmaceutical manufacturers, for example, are reluctant to talk about their problems for fear of weakening consumer confidence in their drugs. "Many counterfeit goods now pose a threat to life and limb" says Mr Alain Thierry, a leading French counterfeiting expert.

None of this explains, however, why counterfeiting should have taken off so dramatically in recent years.

The main reason is that profits can be enormous, particularly from the piracy of luxury consumer items where even the legitimate article has a relatively low intrinsic value.

Counterfeit audio tapes produced in the UK for about 50p can be sold for up to £6. Software programmes worth hundreds and even thousands of pounds can be copied for the cost of a blank disk.

The rise of the global brand for which intensive advertising creates customer loyalty has also made life easier for the counterfeiter. He does not have to make a Lockheed car part or a Chanel perfume, merely something packaged to look like the genuine article. "Usually all the counterfeiter has to do is get the packaging perfect and put inferior juice inside," says Mr Robin McCulloch, secretary of the Cosmetic, Toiletry and Perfumery Association.

Many Third World countries regard counterfeiters as providing jobs and incomes for the local population. They feel the developed world can look after itself.

"Attempts to tighten the law in many Far East countries are merely seen at protecting the 'foreign devils'," says Mr John Wood, company secretary of Dunhill, the maker of luxury consumer goods.

Even in the developed world there is a reluctance on the part of the consumer to see many forms of copying as reprehensible, let alone criminal. "Corporate copying of software programmes is our biggest problem," said Mr Bob Hay, co-ordinator for the Federation Against Software Theft.

Software is often sold under a licence which allows a limited number of copies to be made legally. Often employees in large companies lose tally of how many copies have been run off or deliberately exceed the licence limit.

MicroPro International, the British subsidiary of a US software house, recently took the unusual step of declaring an amnesty for its Wordstar word processing programme. It "legalised" more than 1,000 unlicensed copies which had been made by major customers.

In many countries round the world the law is inadequate to prevent counterfeiting.

"Commercial counterfeiting is a state of legal art as yet unknown to English criminal law," according to Roland Rowell in a recent book.* "Amendments are being made but this is leading to a piecemeal development of the law. What is required is an entirely new statute."

Eastern bloc countries keen to earn hard currency are known to counterfeit a wide range of goods including cigarettes, chemicals and motor spares. Fake goods are frequently included in barter deals with Western suppliers.

Technological change has also opened up counterfeiting to less skilled criminals. "Up to the mid-1960s you needed a pressing plant to duplicate records," says Mr James Wolsey, director of anti-piracy operations at the International Federation of Phonogram and Videogram Producers. "But the invention of the cassette recording meant you can now copy music cheaply."

The music industry is also concerned at the development of the digital audio tape. This can reproduce the high quality of compact disc recordings on tape.

The international spread of the counterfeiting industry makes it difficult to combat. When some centres of piracy such as Hong Kong, Taiwan and Singapore started to crack down, the problem moved elsewhere—to Thailand and the Philippines.

Despite the complexity of the problem the manufacturers, the industry associations and the lawmakers are taking action to curb the worst abuses. "By constant pressure and spending £250,000 a year we can achieve some sort of control," says Dunhill's Mr Wood.

Dunhill employs private investigators and lawyers around the world. But it is an expensive business even for quite large companies. Waddington, the board game maker, is currently facing an influx of counterfeits of the Arabic version of Monopoly in the Middle East.

"We fought off the counterfeiters in Hong Kong but it took two years," says Ms Kate Conlon, licensing manager. "With a product selling between £5.99 and £8.99 in the UK, we don't come out of it very well financially. But we have to be seen to be doing something to put people off."

Several new anti-counterfeiting organisations have been set up in recent years to lobby for changes in the law and conduct investigations.

They are achieving results. Changes are being made in anti-counterfeiting laws around the world. The US introduced tough new penalties in 1984. In the UK video and audio tapes and software have been given copyright protection over the past few years and the penalties for piracy have been increased.

The Anti-Counterfeiting Group, representing 75 large British manufacturers, wants a specific criminal offence, leading to prison sentences, to be introduced. The Department of Trade and Industry says it is studying the group's proposals but it believes the main problem is overseas.

More hopefully, trade sanctions have proved effective on an international scale. The US forced Taiwan to clamp down on counterfeiters last year by threatening to remove preferential trading status.

Several countries are pressing for the introduction of an anti-counterfeiting code under the umbrella of the General Agreement on Tariffs and Trade.

Despite its crippling effect on many manufacturers and industries and a widespread wish on the part of legitimate companies to see the pirates put out of business the issue is not always as black and white as it seems.

Mr Richard Binley, sales manager at MicroPro International, acknowledges that the extent to which Wordstar was copied helped establish it as market leader in its sector.

"We have lost a lot of revenue from copying but the pirating persuaded a lot of people to go out and buy a legitimate programme," he says. "Counterfeiting can be a two-edged sword."

** Counterfeiting and Forgery, A Practical Guide to the Law. Butterworths, £26.96.*

Fund managers hope for docile clients

By Barry Riley

WHAT WILL happen about continuation? This method of discounting commissions may be one of the London stock market's more obscure practices, but it is of vital importance to many of the larger fund management operations, especially those of the big merchant banks.

Though the subject has received little public attention, a great deal will hang on the impact of the Big Bang structural changes on this aspect of the revenue generation of investment managers.

The origins of continuation go back to the 1970s, when the merchant banks occasionally ran campaigns attacking the level of Stock Exchange commissions. One of these campaigns, for instance, spawned Ariel, a computerised bargain matching system which allowed participating institutions to by-pass the official market.

Ariel never made much of an impact as a trading system (although it still lives on, in a minor way, as a decomputerised team of dealers) but it did serve as a useful bargaining counter. Commission rates were trimmed, but more importantly the Stock Exchange made a concession on "continuation."

What it meant was that individual institutions could, for charging purposes, aggregate or continue their bargains in the same stock dealt in through the same broker over a three-month period. This had the crucial advantage that instead of paying commission rates of 0.5 per cent or so on bargains of, say, £100,000, the institutions could more easily gain access to the very fine marginal rates—as low as ¼ per cent—payable on the normally rare bargains of more than about £1m.

This was a tremendously attractive idea to fund management concerns acting for many different clients and operating through a central dealing desk. The benefit of continuation did not have to be passed on to the client but could be retained by the manager, who would issue his own contract note to the client fund. The justification for this was that a management firm was entitled to retain the benefit of its superior dealing capabilities.

Simple "aggregation" was already profitable for the investment managers, because of the stepped scale of commission rates. Continuation greatly enhanced the appeal—and from the Stock Exchange's point of view, it had the advantage that only certain institutions, mainly merchant banks, were able to exploit it.

Later, after protests, other types of fund management firms were brought into the scheme. But many individual fund managers like to do their own dealing, making it difficult to benefit much from the continuation rules.

Not all the benefit was in fact retained by the merchant banks. Some was passed on to clients in the shape of low management charges. One or two have passed on all the continuation gains as a matter of principle—as have most managers other than the banks. Even so, the system has been a key factor in the big rise in profits earned by merchant banks from their portfolio management activities in recent years.

Because of this, the approach of Big Bang has been a cause of considerable anxiety for the big fund management concerns. Their profits have been dependent on the existence of an official Stock Exchange scale of commissions which they could charge their clients. But on October 27 that scale will cease to exist.

Interestingly, the indications are that under the new arrangements the institutions are going to drop the idea of a sliding scale—which will no longer be relevant to them—and will negotiate a flat rate with each securities firm for all business, regardless of the size of individual bargains.

For institutions which invest their own money—self-managed pension funds, say, or insurance companies—this is an attractive development. But those which have depended on continuation in the past will have to find a way to prevent a large hole from appearing in their profits.

What can they do? One response might be to pretend that nothing much has happened to disturb client relationships.

Some of the smaller merchant banks are suggesting that they will proceed as before. The Stock Exchange commissions scale will live on (just as US brokers still quote pre-1975 New York Stock Exchange rates, though in their case as a base for discounting). Clients will be charged individually according to the old scale.

Perhaps with sleepier private clients (or with confidential foreign clients not in a position to make a fuss) they will get away with it. But it is less easy to see pension fund trustees agreeing to turn a blind eye.

A more sophisticated approach would be to argue that although the circumstances migh have changed in some respects the fund manager would still be entitled to retain central dealing benefits. Whereas a big management concern might enjoy a rate of, say, 0.2 per cent on equity trades, a client should pay the rate which he would pay individually.

The problem, of course, is that the rate appropriate to the client would be indeterminate, especially so in the confused early days after Big Bang. But perhaps things would settle down. And maybe the merchant banks could publish their own—albeit unofficial—scales of commissions.

Some argue that client funds would in a surprisingly large number of cases be willing to go along with this kind of semi-fiction, for their own internal reasons.

For instance, it is quite common for companies to pay pension fund management charges while the fund itself bears the transaction costs. So charging methods could remain biased in the direction of loaded commission rates.

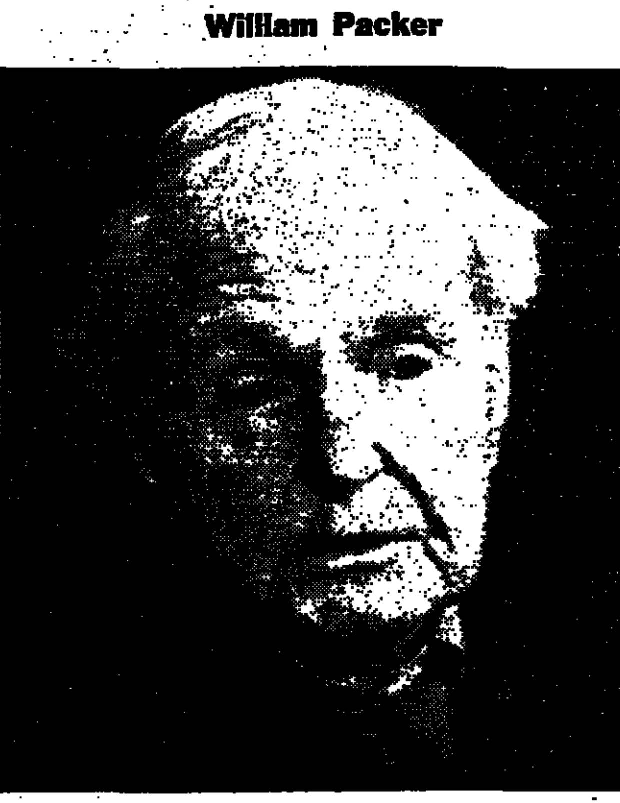
The alternative approach would simply be to raise the formal charges for portfolio management. Many of the independent management firms strongly argue for this, as a more honest approach (which would also serve, it should be said, to make them appear more competitive).

Imro, the new Investment Management Regulatory Organisation, could soon be in a position to sort out the confusion in this area of management charges. But it looks as though it will choose the soft option of greater disclosure rather than lay down any firm line.

Big Bang will bring an end to continuation, but "son of continuation" could well live on.

Obituary/Henry Moore

William Packer



Henry Moore, OM, CH

Henry Moore, who has died at the age of 88, was not merely the Grand Old Man of British Art, but the most distinguished and influential artist this country has produced in modern times.

Honours came to him in later life and were no more than his due. Yet it is remarkable and some measure of his achievements, that had he given up being a sculptor in early middle age, the scope and nature of his vision would have been as well established and his essential contribution to western art already made.

He was born in 1898 into the mining community of Castleford in the West Riding of Yorkshire, the fourth son and seventh child of Raymond Moore, a miner and mining engineer, and his wife Mary. Henry showed a certain aptitude for Art as a child. He was encouraged by his teachers but even so, in common with some of his brothers and sisters, his first vocation was for teaching, which he followed until conscripted into the Army in 1916. He saw active service in France in the battle of Cambrai, was gassed, invalided home and saw out the war as a regimental drill instructor.

Upon demobilisation he returned briefly to teaching, but by now had determined upon his true course, and in September 1919 he became a student in the Sculpture School of Leeds College of Art. In 1921 he won a scholarship to the Royal College of Art in London where he remained as a student until 1924, and as teacher, until 1932. He was then invited to become the head of the newly-formed sculpture department at Chelsea School of Art, where he remained until 1939 when, for the first time, he was able to live entirely off his own work.

The *speed with which* he developed in his work bespeaks his precocious maturity as an artist despite, perhaps because of, that late start. Moore was his own man, working, modelling and carving his material directly, and falling upon the treasures not of the galleries and studios, but of the British Museum and the V & A, most especially the pre-Columbian carvings of the New World for his example. His drawing was as precocious: simple, monumental, practical, the very type of "a sculptor's drawing" at its very best. And his drawing was always at its best when direct, unself-conscious and to the point.

Moore's influences were openly declared. Into the 1930s he was drawn towards Surrealism, that preoccupation which he shared with Picasso, Ernst, Miro, Giacometti. To set his in such company is not to belittle him but rather to confirm his standing. Never the acolyte, but possessed of a singular vision, he was to the end of his life one of the great masters of Surrealism.

He showed throughout his career a remarkable consistency, a steadiness of development and a constant capacity for retrospection, reassessment and restatement: at times it is hard to say whether the particular dates from the 1930s or the 1960s. Such steadiness of preoccupation, most notably with the half-reclining female figure and its curious, abstracted relation and reference to the landscape, led him repeatedly towards a total abstraction without ever abandoning the human association or sympathy.

It is what Lord Clark identified as the peculiarly English element in his work, the fusion of Man with Nature.

Moore was ever a romantic and a surrealist, an anthoropomorphist whose great gift was to see with a splendid, monumental simplicity the formal and spiritual consonance between man and nature, to see the human in natural form, and to visit upon the human figure the grandeur of nature.

It was the odd chance of the success of his drawings of the war-time shelterers in the London Underground, and miners working at the coal face, that first won him a more general and generous acknowledgement. The years that followed, to the end of his life, were years of consolidation and establishment.

Moore took the opportunity of ever increasing financial security to amplify, vary and extend his work in scale and material, often hugely so. Commissions came in. But it is a wry comment on English judgment that his public representation at home has had to rely almost entirely upon his personal generosity

The truly generous and active interest was from the world at large, and there was no new or growing or ambitious museum of modern art that did not want a major example of his work, no nation that did not wish to give it the freedom of their most perfect galleries and situations.

His 70th birthday retrospective at the Tate came at an awkward moment at the height of the British Sculpture boom: a reaction was inevitable, and it was coolly received. At 80, at the Serpentine in Hyde Park, he was more generously received, the correspondence columns of The Times apart. But he remained an isolated figure, for subsequent generation of sculptors, exploiting the bridgehead he and his peers in the *1920s* and 1930s, had *so* painfully established, had moved on to new territory. He left no readily identifiable school of followers, and his work may now even seem a little old fashioned and out of date.

Bianca e Falliero/Pesaro

William Weaver

The Rossini Opera Festival, held in the composer's birthplace, Pesaro, is only in its seventh year; but it has already won international recognition and has created a large and loyal following. More important perhaps from a survival point of view, it has overcome all local opposition; and while it has remained something of an event for connoisseurs, its productions are now enthusiastically followed on a large screen in the central Piazza del Popolo by the pesaresi who cannot find seats (or cannot pay their high prices) in the Teatro Rossini and the Auditorium Pedrotti, where the operas are presented. This year the local public also enjoyed a number of pre-festival concerts, including a mass-audience recital by Pavarotti, an adopted son of Pesaro (he has vacationed there for years and now owns a large villa just outside the city).

Pesaro is remarkable in its combination of rigorous musicology with practical theatre. As the Pesaro-based Rossini Foundation and its international team of scholars produce critical editions of the scores, the festival mounts the works, engaging the finest singers available, and also calling on recognised talents among producers, designers, musicians. Two years ago Claudio Abbado conducted the first modern staging of *Il viaggio a Reims*: Riccardo Muti is tentatively scheduled to conduct the premiere of the *Guillaume Tell* critical edition two years from now.

Not all the Pesaro operas are rarities: *Le Comte Ory*, *Il turco in Italia*, *La gazza ladra* were already, to some extent, familiar before their festival presentations. But *Il viaggio a Reims* was a brilliant revelation; and this year, with *Bianca e Falliero*, Pesaro clearly hopes to repeat that miracle.

On the basis of the premiere it would seem they have come close. Certainly, the success of the production was phenomenal. It is not hard to fill the tiny Auditorium Pedrotti, but in the murderous summer heat, it would have been hard to hang on to the audience with anything less than a first-rate piece in a first-rate presentation.

At its Scala premiere in 1819 *Bianca e Falliero* seems to have been well received, and it ran for a record total of 39 performances. But afterwards it gradually disappeared, and Rossini's biographers are unanimous in condemning it as a hastily run-up pot-boiler of scant merit.

The charge of haste is, of course, irrelevant: Rossini wrote some of his greatest music at top speed. Now, as the performance made evident, the merit of the work is considerable. True, in the long first act there may be some pages of routine Rossini; but even routine Rossini is never anything but enjoyable, and beside these moments, there are thrilling numbers like Bianca's first aria (with its flashing cabaletta), the love duet of Bianca and Falliero, and the first finale, especially the intricate trio section. And in the second of the work's two long acts, every scene is pure gold. Of the quartet Stendhal wrote, "it is a moment of genius that lasts a quarter-hour." The same could be said of much of the opera.

As the star-crossed Venetian lovers, Katia Ricciarelli and Marilyn Horne were ideally cast; and both were in superior form. Ricciarelli, slim and more beautiful than ever, avoided the lazy, droopy crooning that sometimes mars her interpretations, and sang with incisiveness as well as loveliness of tune; Horne did not abuse those volcantic chest-notes, but was nobly heroic. Both parts demand fiendish agility, and both singers met the demands with style and panache. Horne's second-act ovation—which threatened to stop the show for the night, it went on so long—was the just reward for a wondrous performance. Ricciarelli was also awarded her fair share of applause and cheers.

Chris Merritt, the tenor who sang the part of Contareno, Bianca's father, has a remarkably supple and powerful voice, though in the first act he seemed to be straining to do justice to his highly decorated lines. In the second act he was more at ease. Capellio, Bianca's rejected suitor, is the fourth member of the quartet: Giorgio Surjan, a dark but lyrical bass, carried out his assignment with distinction.

In the festival's opening production, *Il turco in Italia* (a revival, with a different cast, from last year), the London Sinfonietta Opera Orchestra, directed by Rico Saccani, sounded frayed and thin. For *Bianca e Falliero*, under the more experienced hand of Donato Renzetti, the group seemed actually to gain body. They played with welcome fullness of sound and excellent precision. The score includes a number of solo passages for winds; all of these were delightfully played. The Prague Philharmonic Chorus showed a real understanding of the Rossini idiom.

The Auditorium Pedrotti is far from ideal for opera, but the designer and producer Pier Luigi Pizzi turned its drawbacks into positive advantages. His fixed set—an airy Palladian colonnade, stairways linking the two playing levels—was marginally versatile; and with the punctuation of drapery or the addition of a chair or a table, it could frame the successive scenes.

Within this frame Pizzi moved principals, chorus, and supers with a deft, telling hand. Intimate moments, public gatherings, private drama and weighty affairs of state were distinguished thanks to the most economical, significant details. Horne and Ricciarelli, hardly of matched stature, were carefully placed so as to appear convincing lovers. After Ronconi's frenzied over-production of *Il viaggio a Reims* in the same space, the elegant and concise presentation was doubly welcome.

Of *Il turco in Italia* at the Teatro Rossini little need be said, unfortunately. Saccani conducted insensitively, and the orchestra responded with slovenly playing. Neither Ruggero Raimondi nor Lucia Aliberti (as Selim and Fiorilla) was in good voice. Only the Geronio of Enzo Dara was proof against everything: a delightful and sound interpretation. Emanuele Luzzati's sets and Santuzza Calì's costumes belonged to the riot-of-colour school; and Egisto Marcucci's staging was busy without being bright. A *Turco* without sparkle.

Miss Julie/King's Theatre, Edinburgh

Martin Hoyle

The most popular stage costumier at this year's World Theatre Season at Edinburgh would appear to be that tailor who provides new clothes for a certain well-known emperor. That is, if the divergence of opinion between critics and public is anything to go by. The former hated a *Hamlet* that kept the audience on the edge of its collective seat with excitement (quite a feat with *Hamlet*), and loved a *Blood Wedding* whose unvarying rhythms, portentousness of mood and occasionally ludicrous failure to reconcile diverse styles provoked nothing more than boredom in the paying punters. (Beware the critical approbation of the "austere;" this is jargon for dull.)

Critical and popular enthusiasm converged for the Japanese *Medea*, forcing an extra, unscheduled, performance and there was a heartening number of locals—who seem more than ever to be cheerfully accepting the festival as something for them rather than an esoteric delight for international culture-hoppers—in the otherwise far from packed King's Theatre for Ingmar Bergman's production of *Miss Julie*.

The King's is a notorious butcher of subtle lighting-plots and often reserves its worst sabotage for the most distinguished visitors (Maria Callas's *Sonnambula* in 1957 is still remembered with awe). The twilight falls with a thud over Strindberg's midsummer eve; later we are dazzled by offstage floodlights that flash on at the flick of a divine switch. "The sun's rising," observes Miss Julie needlessly, and we admire the professionalism that conceals the murder in Marie Göranzon's heart.

Bergman came late to Strindberg's mating dance for preying mantises: he first directed it at Munich in 1981—oddly, in view of the theme of sexual humiliation that has dogged his work from the first days—the script for the film *Frenzy*, early successes like *Sawdust and Tinsel*. One wonders whether he has left it too late. This beautifully acted production from the Royal Dramatic Theatre, Stockholm, is so fluently physical as to be almost balletic. Beneath the detailed naturalism there is an almost choreographic aesthetic that reaches (to mix the art-forms) a sort of *liebestod* as Jean nuzzles Julie's hair, while showing her in a mirror how to cut her throat.

Bergman the puppet-master has marshalled his forces so thoroughly that the production is a paradox of ostensible carnality (Jean almost rapes Julie on the kitchen table; Kristin provocatively brushes his legs with her skirts as she passes) not being in the least erotic.

Physical the production certainly is. Gerthi Kulle's broad-shouldered Kristin sponges herself down, soaks her feet gratefully in hot water Peter Stormare's lithe, springy Jean, light on his feet but unmistakeably virile, twitches uncertainly, scarcely controlling himself at Julie's flirtatiousness. What might disparagingly be termed the externalisation of this approach is emphasised by the livid scar on Julie's face—the result of Bergman's restoration of a line cut by Strindberg, possibly in deference to his actress wife In all senses, Julie's inner wounds are brought to the surface

Miss Göranzon's broad-faced Julie, with her high forehead, is vulnerable rather than threatening, touchingly tired by the end of the play. Nothing becomes Mr Stormare's sensuality so much as his leaving of it. Scrabbling on hands and knees, weeping in panic at the return of his master, he convinces as that old Bergman standby, the humiliated male. A quick recourse to the looking glass, a rapid smarming back of the hair, and the dapper manservant is off with the coffee tray while Miss Julie is dying in another part of the house.

As a study of two desperate fantasists longing for change but terrified of the price, clinging to, and trapped by, the status quo (emotional, social), the production has a powerful cumulative effect. Particularly memorable are the drunken servants, crooning a mournful song in the melancholy Scandinavian midsummer penumbra as a girl sobs quietly to herself and a tipsy man tries to stand in the rain-butt before passing out. It may be that this meticulously detailed approach, against Gunilla Palmstierna-Weiss' grey-washed country kitchen, emerges as no more than little girl lost meets braggart boy who is soon scolded into sheepishness. But the performance has a conviction, a propulsive rhythm, that makes Strindberg in his native tongue a marvellously compelling experience.

★

Apologies to the stand-up comics of Los Angeles (for such they were), victimised by Gremlins that should have been winnowed (not windowed) from a recent Edinburgh report. Their props are odd, not old; and include a watch that may work but certainly honks.

Noël and Gertie/Donmar Warehouse

Antony Thorncroft

Sheridan Morley, who has established himself as the official curator of Noël Coward, has converted his "entertainment" based on the interlocking lives of Coward and Gertrude Lawrence into a two-hander, and with Lewis Fiander and Patricia Hodge at the helm it is cheerfully moored at London's shrine to theatrical nostalgia, the Donmar in Covent Garden. All the words come from the "Master."

Cynics might say that building a musical evening around the couple is rather like devising a show about Laurel & Costello for, after starting out their professional career as teenage angels in an engagement in Manchester, they only managed to work together twice — in *Private Lives* and *Tonight at 8.30*. Morley has milked both productions to good effect opening, predictably, with the balcony scene from the former, and stacking the show with the best from the later revue.

He does not need more. *Private Lives* is Coward at his most urbane, creating a dialogue for a society that only doubtfully existed but which somehow manages to touch individual memories. The nine one-act plays concocted for *Tonight at 8.30* to ward off boredom for the stars have Coward with his hair down in the Red Peppers sketch which, with its accurate airing of the bitchiness of backstage life, suggests that he never really existed outside the theatre.

Also in this revue was the genesis of *Brief Encounter* and, although the evening is stuffed with songs, it is the scenes from this eye-jerker which find Fiander and Hodge at their best. They can never quite cast off their acting skills to become troupers. The musical routines are dutifully performed, notably "has anyone seen our ship?" and "Play, orchestra, play," but it is the snippets from the serious Coward that grip most forcefully.

It is impossible to know how deep the relationship really was between Coward, with his contrived artifice, and Lawrence, with her mercurial, spendthrift, tantrums. Perhaps it was as elusive as the scene from *Blithe Spirit* in which the dead Elvira returns to haunt her husband, included because Gertie wanted to play the part and Morley needed some fresh material.

Whatever the reality Patricia Hodge is beautifully, if coolly, sophisticated, and Fiander wisely "acts" at Coward without attempting an impersonation. David Horlock directs deftly on Carl Toms' splendid '30s set and, with William Blezard at the piano, you could hardly ask for a more enjoyable evening.

Haitink/Albert Hall

Max Loppert

At Thursday's concert, the first of two Proms conducted by Bernard Haitink, the London Philharmonic Orchestra played like one of the world's great orchestras. After such a concert one is tempted to insist that the LPO plays better for its former chief conductor than for anyone else—the insistence may be wrong-headed, but all the same one felt an urgent need of of it. Rhythmic vitality, shining clarity of tone, fearless attack, and sovereign command of line at all points on the dynamic compass were the qualities common to the performances of both the Elgar *Enigma Variations* and the Shostakovich Tenth Symphony. The difference between the works, and the power of performance shared between them, made for a tremendous occasion.

Haitink's *Enigma* is clear-eyed. On the opening page of the score, the notes marked *tenuto* on the violin line are punctiliously held, but no longer than the conductor feels proper; other key score markings — *molto espressivo*, *legato e sostenuto* — are similarly interpreted; the theme moves crisply forward. It is personal taste, surely, that prefers a rather more ductile, yielding, possibly even hesitant start to the piece.

At other moments of characteristic Elgarian *Affekt*, the same firmness of approach could be noted, yet there were so many simple delicacies and points of unforced affection in the phrasing, and so much litheness of rhythm ("Dorabella" was flicked off with the most exquisite lightness), that any reproach of un-Elgarian brusqueness had to wither away at the stem. Haitink persuades these string players to charge their soft playing with a surge of sustained, controlled intensity: it was noted above all in "Nimrod" (and then *passim* in Shostakovich). A word for the beautiful viola solos, shyly lyrical to the exact degree, of Rusen Günes.

The Tenth is the latest example of that symphonic *mastery that has placed this* conductor's various explorations of Shostakovich among the most stimulating musical adventures of recent times. The manic-depressive mode of the E minor Symphony—long passages of near-motionless brooding succeeded by furious outcries of mockery, anguish, and martial violence—requires from the conductor the strictest kind of control: one false tempo choice or transition, one too melodramatically driven climax, and the force of the argument may be lost to the threat of tub-thumping.

That strictness was magnificently attained here. Both the frozen wastes of the slow movements and the ferocious high spirits of their succeeding fast were ideally well judged and contrasted; throughout the whole work the combination of probity, power and a passionate emotional wildness just kept in check, produced a sensation of grandeur that I can recall from very few other Shostakovich performances.

★

The second LPO-Haitink concert, the following evening, maintained the same high standards, but was all the same less exalted. The main reason had to do with the presence of *Ein Heldenleben* in the second half. Strauss's tone poem may be rewarding for an orchestra to get its teeth into, and pleasurable for an audience to sink back and relax into, but surely no-one pretends that it can offer a serious artistic experience—and, with memories of the Shostakovich Tenth still so strong, comparisons of works and experiences are probably inevitable and invidious in equal parts.

Ein Heldenleben works best, in truth, when streams of glorious orchestral sound are poured lavishly through it. The LPO performance had many strong, striking features, and a dominating intelligence to characterize it, but it lacked sumptuousness. Haitink, with a considerable experience of the Strauss operas now behind him (most of it achieved with this orchestra at Glyndebourne), knows *exactly how to project* the many layers of texture so that the rich contrapuntal weavings never tangle up or get swamped. The forward movement of the opening, all lines muscularly taut, was invigorating.

But there was a shortage of that deep warmth of string tone, founded on the double basses and filtering upward through the entire department, that one recalls from Berlin Philharmonic accounts of this piece under Karajan. In a way, its absence indicates the general integrity of the music-making: but *Ein Heldenleben* needs it to make any kind of overall sense.

In the first part, Murray Perahia was the soloist in the Beethoven C minor Piano Concerto. His playing was an impressive combination of force and delicacy—brave and direct in ways not often associated with this pianist, ravishingly shaded and nuanced in soft passages (such as the coda of the first movement, the piano part falling across the orchestra like fine shadows). *Once or twice* I felt a touch of calculation in the very wide dynamic range: but there was no doubt of the pianist's mastery, or of the inspired accompaniment that orchestra and conductor provided, attuned to the *soloist* with rare sympathy.

BBC Symphony/Albert Hall

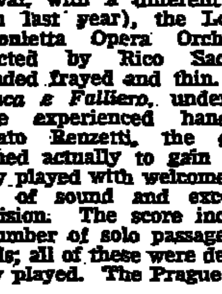
David Murray

Saturday's Prom programme was too ingenious for its own good. Two of Liszt's orchestral poems for his anniversary (a *recherché* piece, his first, and the familiar—at least in its piano version—Mephisto Waltz no. 1), with a Hungarian *conductor*; *Bartók, Hungary's other* imperishable composer, represented by his early, freakish, forgotten Scherzo, with another Hungarian at the central piano; and by way of reminding us where it all started, Wagner's comparably early *A Faust Overture*, which pre-echoes the thematic devices of the *recherché* Liszt. An intriguing menu, without one substantial dish: for a Saturday Prom it draw a meagre audience, and the conductor Peter Eötvös supplied no unforeseen thrills that defaulting Promers could be taunted with having missed.

Eötvös is an admirably sober musician, too sober for this programme. *A Faust Overture* just about came off, with Wagner's uncanny knack for orchestral balance and contrast nicely attended to, though with barely a hint of the unabashed theatrical sweep it shares with the *Dutchman* Overture. But its dramatic shape is at least written safely into it: Liszt's *Ce qu'on entend sur la montagne* is looser than that, and it needs to have each of its alternating effusive voices (Nature and suffering Humanity, according to the Hugo poem which inspired the composer) characterised with *the immediate flair* that the virtuoso Liszt would have lent them. Eötvös was merely scrupulous, and a little stiff (though Rodney Friend's violin-flights had the right florid appeal). The piece remained a series of bits, without a dramatic afflatus to carry it forward.

Bartók never heard his 1904 Scherzo, though he wrote it for himself to play, and he chose to make another, less ironical piece his official "opus 1." The Scherzo is mainfestly the snook-cocking work of an acridly intelligent young composer. Hand on heart, nobody could claim to hear the mature Bartók in it, except for the resemblance between its vicious burlesques—jeering E-flat clarinets—and passages of *The Wooden Prince* (his least successful mature score). It was a good idea to enlist Zoltán Kocsis for the more personal, evasive piano commentary, but Eötvös neither barbed the wit nor found a convincing impetus for this half-hour piece as a whole.

The orchestral *Mephisto Waltz* showed what was missing in the programme, for better and worse. Liszt's exactly contemporary piano version is far more sharply pointed, for the instrument he knew best, despite his adventurous orchestral colours. For such a concert, shortish as it was, what could be more apt than to have Kocsis perform the solo version too? But he didn't. We had to be content with Eötvös's careful clarity—reasonable glitter, no seductive verve beyond what Friend supplied for the Devil's fiddle. Self-effacing cool and expressive restraint do no justice to this essential Romantic vein: Eötvös gave us the elegant blueprint, not the headlong projection.



Arts Guide

Music/Monday. Opera and Ballet/Tuesday. Theatre/Wednesday. Exhibitions/Thursday. A selective guide to all the Arts appears each Friday.

Music

August 29-Sept 4

PARIS

Anner Bylsma, cello, Blandine Verlet, harpsichord: Vivaldi, Bach (Mon 7pm). Auditorium des Halles, 5 Porte Saint-Eustache.

David Lively, piano: One Hour with Brahms (Tue 6.30pm). Auditorium des Halles.

Krakow Philharmony Orchestra and choir conducted by Krysztof Penderecki, Stanislaw Krawczynski conducting the choir: Penderecki Requiem (Tue 8.30pm). Saint-Eustache Church.

Krakow Philharmonic Orchestra conducted by Tadeusz Strugala, Stanislaw Krawczynski conducting the choir: Liszt-Psalm 116 and Missa Solemnis by Gran (Wed 8.30pm). Saint-Eustache Church.

Erik Berchot, piano: Liszt's transcription of Schubert's Winterreise (Thur 8.30pm). Auditorium des Halles. Concert and discussion.

All these concerts are part of the Paris Festival Estival. 24-hour taped information in English (4784 8080).

LONDON

Toronto Symphony conducted by Andrew Davis with Louis Lortie, piano. Mozart and Mahler. Royal Albert Hall (Mon). (589 8212).

London Symphony Orchestra and chorus conducted by Claudio Abbado with Alfred Brendel, piano. Brahms, Debussy and Bartok. Royal Albert Hall (Tue).

Scottish National Orchestra conducted by Matthias Barnett with Young Uck Kim, violin and Yo Yo Ma, cello. Brahms, Mussorgsky/Ravel and John Casken. Royal Albert Hall (Wed).

BBC Symphony Orchestra conducted by Günter Wand. Bruckner 5. Royal Albert Hall 8.30pm.

VIENNA

Vienna Hofburg Orchestra conducted by Gert Hofbauer. Waltzes and light opera. Konzerthaus Mozart Saal (72 12 11). (Tue, Thurs).

Haydn-Sinfonietta Mozart Karlskirche. (Tue, Thurs).

WEST GERMANY

Berlin Festival from Sept 1 to Sept 28 is devoted to Russian music with 10 ensembles from Moscow participating with German orchestras and artists. The first week sees the Berlin Radio Symphony Orchestra, the RIAS Chamber Choir, and Bernhard Wambach piano, conducted by Arturo Tamayo and Klaus Bernbacher with two Stockhausen pieces. (Mon).

NETHERLANDS

Utrecht, various locations. Holland Festival of early music. European ensembles and soloists, including the Tallis Scholars, Dowland Consort, La Chapelle Royale, and the Consort of Musicke, perform works by composers including Josquin des Prez, Couperin, Rameau, and Lully. The special festival production (Tue, Wed, in the Central Museum) explores the music of Erasmus's day, with commentary by the philosopher, and closes with a dinner. Festival all week (34 09 81).

WASHINGTON

National Symphony (Concert Hall): Mstislav Rostropovich conducting Ives, Beethoven, Tchaikovsky (Thurs). Kennedy Center (254-3776).

CHICAGO

Ravinia Festival: Philharmonia Orchestra, Guiseppe Sinopoli conducting, Shlomo Mintz violin. Beethoven, Tchaikovsky (Tue); Schubert, Bruckner (Wed); Steve Reich and musicians. All-Reich programme (Thur). Highland Park. (728 4642).

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Labour and the TUC

THE ANNUAL congress of the British trade unions that opens in Brighton today should provide some interesting evidence of what the unions think about their own future and their role in society at large.

On the face of it, the union movement now looks weaker than at any time in post-war history. Membership has declined to the point where non-unionists form a clear majority of the British workforce. Unemployment has had a lot to do with it, but there are signs that even if the number out of work starts to fall, the unions will not necessarily be the principal beneficiaries. The new jobs are likely to come in the service sector and in the small—sometimes high-tech, sometimes low-tech—companies rather than in the industrial fortresses of the past.

Again, high unemployment must be a factor, but the power to strike or to threaten to strike has lost much of its edge. The miners' strike in 1984-85 came to an ignominious end from the point of view of militant trade union leaders. Lasting, damaging strikes in the private sector have become almost a thing of the past.

The unions, too, have lost much of their political, even anarchial, clout since Mrs Thatcher became Prime Minister in 1979. The Conservatives promised to redress the balance between unions and employers and to bring industrial relations more within the law. In that they have at least partially succeeded. Strike ballots have become the norm rather than the exception. There is rather less general tolerance of the abuses of secondary picketing, even when it still takes place.

Less deferential

Perhaps above all the idea that the unions are some kind of *ex officio* wing of government has been discarded. Mrs Thatcher's administration has consulted union leaders on matters of policy scarcely at all. A Labour government under Mr Neil Kinnock would be presumably less deferential to the unions than some of his predecessors. Mr Michael Foot, for example, used to promise to repeal all Tory legislation relating to the unions *en masse*. Mr Kinnock will have none of that.

Such should now be the conventional wisdom: the old baronial power of trade union leaders cannot be restored. Some of the trade union movement, as well as Mr Kinnock, appears to have caught up with this. Yet it is one thing to begin to catch up with the present, another to form a view of the future. The unions have to face the possibility that they may be never again the force in the country that they once were, and decide what their new role is to be.

In tandem

It is entirely natural that they should prefer a Labour government. The two traditions — the unions and the Labour Party — grew up together. Nor is the phenomenon peculiar to Britain. In America the unions would still prefer a Democratic administration, just as the West German unions would prefer a return of the Social Democrats. There are tasks which understandably they believe they can better achieve in tandem, such as the alleviation of poverty and the reduction of unemployment.

Indeed it is striking that the one option offered by Tory legislation that the unions decisively rejected was the possibility of cutting off affiliation fees to the Labour Party. They have kept their links, and thus Labour remains financially afloat. But in practice the relationship between the paymaster and a Labour government has not always proved a happy one, as both sides of the movement will testify.

In time it may be better for everyone concerned — the unions, the Labour Party and the country as a whole—if the TUC can begin to keep its distance from political parties. There is some danger at Brighton this week that the congress may retie itself so closely to Labour in the expectation of victory at the polls that the movement really will be stuck for a future if the victory does not come off. Prudence dictates wishing Labour well, but preparing to deal with the realities if Mrs Thatcher returns.

Last lap to the summit

DESPITE THE continued refusal of the Soviet Union to fix a date, a second US-Soviet summit meeting in Washington towards the end of this year is looking increasingly like an inevitability. It is also likely that such a summit will be able to draw encouragement from progress, or even some element of agreement, at one or two of the second rank East-West negotiations which have been taking place. Whether the summit has any chance of going further than that, and of chalking up a major success in the improvement of East-West relations, by being able to claim or promote serious progress on the central issues of nuclear arms control, remains the major unanswered question. But it is already clear that the next high-level meeting of US-Soviet negotiators, in Washington at the end of this week, may well be critical in answering the question.

There are two reasons why the summit is probably inevitable. The first is that the new Russian leadership wants a further improvement in relations with the US. In public, it pretends to argue that the holding of a second summit should be contingent on prospects for solid agreements, but these prospects are not yet so hopeless, and the US appears careful to avoid doing anything so offensive, as to justify outright cancellation.

Current agenda

Second, the pace of bilateral superpower meetings has become so intense, on such a wide range of subjects, that the procedural momentum may prove unstoppable. The current agenda of talks includes regional issues (like Afghanistan), nuclear energy, space co-operation, human contacts, conventional and chemical weapons, nuclear testing and confidence-building measures. For the Russians, these talks may be designed to explore a fall-back position, so that the summit could still produce a long communique even if there is deadlock on nuclear arms control.

Moreover, it will be hard for Moscow to leave the summit date in limbo much longer. Hard on the heels of this week's talks between the top nuclear negotiators will come a meeting between the two foreign ministers, followed by a second meeting at the UN General Assembly. To continue stalling beyond the end of this month would look tantamount to cancellation.

In any case, there is already some ground for encouragement both in the chemical weapons talks in Geneva and in the European security talks in Stockholm. In Geneva, Western negotiators have claimed significant progress towards a chemical weapons agreement, despite continued stalemate over adequate verification methods; in Stockholm, both sides have started to make significant concessions on the monitoring of troop movements and manoeuvres, and some officials believe there is a real chance of an agreement before the session winds up on September 19.

The central issue remains, as ever, the control or reduction of nuclear weapons arsenals. Both sides have proposed deep cuts; the sticking point of principle is whether President Reagan is prepared to offer enough of a concession on his anti-missile defence programme ("Star Wars") to secure an agreement on offensive weapons.

Stumbling block

One essential ingredient of a possible grand compromise has already been sketched out by both sides: the extension of the 1972 ABM treaty, to ban for a number of years any deployment of new anti-missile defences. The main stumbling block of principle is that the US is also demanding, as a quid pro quo, not merely the right to test defensive components in the meantime, but also an explicit acknowledgment from Moscow that new defences may be deployed after the extended ban expires. As they stand, these conditions are bound to be unacceptable.

There is little evidence so far whether President Reagan is prepared to pay any significant price for the sake of a really spectacular arms control agreement. For one thing, his attention has been preoccupied with tax reform, the budget, and the controversy over South African sanctions; for another, he may believe he can have his cake and eat it, by stringing Mr Gorbachev along at a second summit which looks friendly but achieves little of substance. Either way, the options should start to become a little clearer after this week's talks in Washington.

BOTHA'S EVOLVING STRATEGY

Sweeteners that may be too late

By Anthony Robinson in Johannesburg

TWO WEEKS after President P. W. Botha displayed the obduracy of Afrikaner power at the National Party congress in Durban, the limitations on that power have been violently underlined by last week's confrontation between armed police and rent protestors in Soweto in which at least 21 blacks were killed.

The message which went out from that congress was that reform is now on the back burner; talk of legalising the African National Congress (ANC) and negotiating with leaders chosen by blacks themselves is no longer on the immediate agenda; and order will be maintained by a mixture of coercion and co-option.

It is a time-tested formula for keeping what passes for the peace in South Africa. But while such policies gave white South Africa 16 years of relative tranquillity after the 1960 Sharpeville massacre, the lull which followed the Soweto uprising of 1976 lasted only half as long. Unrest broke out again in earnest in September 1984.

South Africa's leaders are clearly hoping that the re-imposition of a state of emergency on June 12 will ensure another prolonged period of calm. And in the short term, at least—according to anti-apartheid activists who have escaped the net of widespread detentions—repression appears to be working. The Rev Allan Boesak, a patron of the umbrella organisation, the United Democratic Front (UDF) and president of the World Alliance of Reformed Churches, puts the point forcefully: "The state has prevented us from getting our message across to mass audiences and to inspire people on a mass scale is now impossible."

But displays of force are only one aspect of a strategy which aims to co-opt, every bit as much as to coerce. The goal is to create—by bringing about a range of socio-economic reforms in areas such as housing policy—a black middle class with a stake in the current system as a buffer against the radicalism of the townships.

In fact, when Parliament reconvened on August 18, housing issues provided the most significant items on the order paper: the second reading of the Building Societies Bill and the awkwardly named Temporary Removal of Restrictions on Economic Activities Bill.

Pedestrian and undramatic as they sound, these two bills illustrate the policy of coercion and co-option on which the Government is pinning its hopes for the future.

The first, modelled closely on similar changes to the building society laws in Britain, is aimed at increasing the financial muscle of the building societies by allowing them to become equity-based institutions and to broaden the range of their financial services. The primary aim is not to ease the mortgaging requirements of white suburbia but to channel large sums into the financing of low-cost black housing on an owner-occupier basis to facilitate the creation of a black property-owning class.

At the same time, Mr Barend du Plessis, the Finance Minister, announced the creation of a R400m trust fund for low-cost housing, and introduced special housing bonds, with the status of prescribed assets for the reserve requirements of banks and other financial institutions. These are expected to make up to R2bn (£515m) available to finance what Ministers hope will be the biggest housing boom South Africa has ever seen.

The opening up of building society and related finance to blacks is seen as the logical follow-on to abolition of the pass laws, the granting of leasehold and freehold rights to blacks and the expected changes to the Group Areas acts. The latter, while preserving the apartheid principle of racially segregated living areas, is expected to allow local authorities greater zoning flexibility in hitherto whites-only areas, especially round the central business districts which are increasingly being declared open to all races for business purposes.

Publication of a report by the advisory President's Council on the subject is expected within the next few weeks, and will shape future group areas legislation.

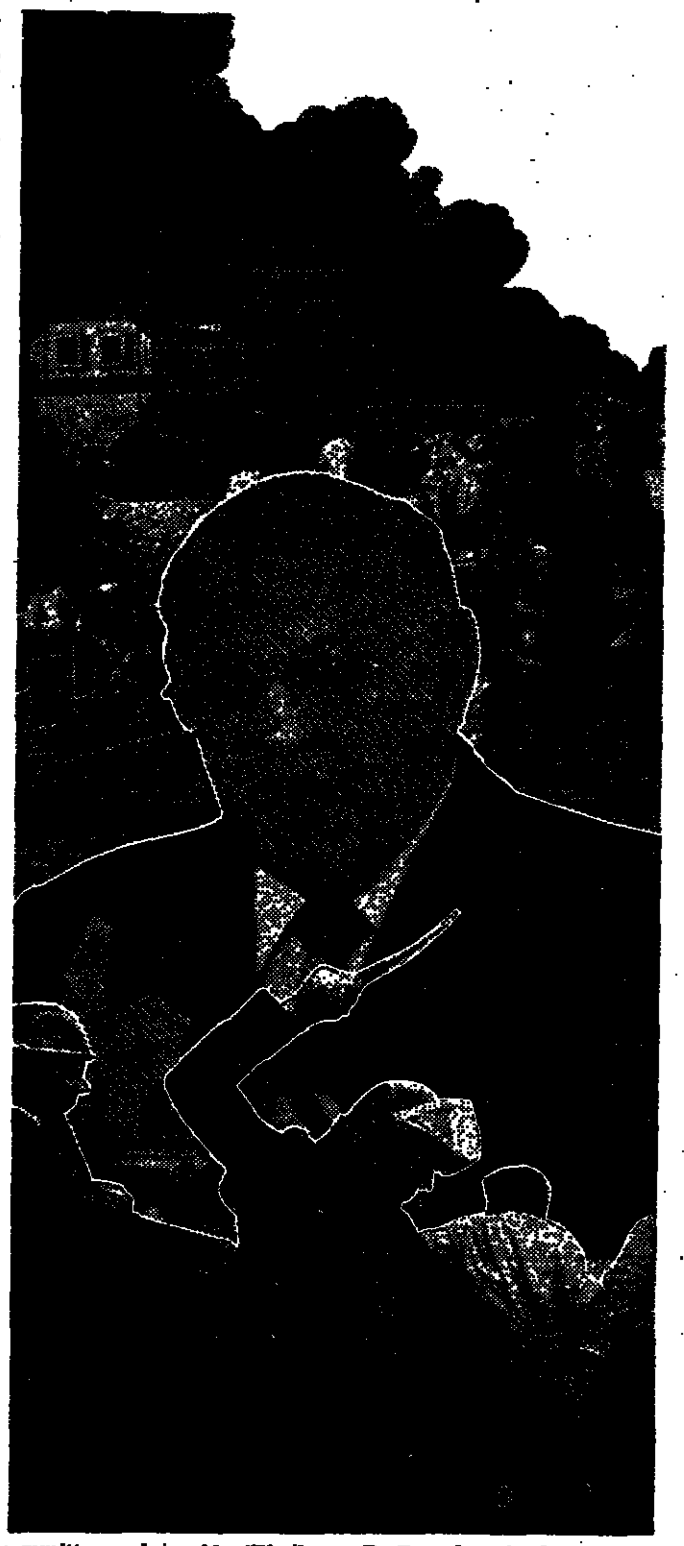
Housing is a vital element not only in the Government's new socio-economic strategy but a key component of what Mr Kent Durr, the Deputy Minister for Trade and Industry, calls the "inward industrialisation" policy. This is aimed at stimulating domestic economic growth in the face of foreign sanctions. He points out that at present South Africa has high unemployment in the building industry, a stockpile of over 500m bricks and two modern cement factories in mothballs—absurd in the face of the black housing shortage of some 600,000 homes and severe overcrowding.

Encouraging blacks to build and buy their own homes from domestically produced materials will, the Government hopes, not only defuse tensions in the overcrowded townships but stimulate growth and employment on a large scale, with only the minimal effect on the balance of payments. It is a strategy which has been advocated for a decade by the Urban Foundation, the private sector housing lobby set up after the Soweto rising. It remains to be seen whether government and white local authorities release sufficient land in the right places for the potential to be fully realised.

Land aside, the other prerequisite for success is the removal of the multitude of legal and bureaucratic obstacles which hitherto have retarded the development of a black entrepreneurial class outside a limited range of retailing, and service activities like taxi companies and funeral parlours.

It is precisely to sweep away such restrictions that the Temporary Removal of Restrictions on Economic Activities Bill has been drafted. This empowers President Botha himself to abolish restrictions by decree, pending legislation on lines proposed by a report by the economic committee of the President's Council last November.

The political implications of de-regulating black business were spelled out at the time by Dr F. Jacobs, chairman of the committee, who said: "If the majority of the population are to accept the principles of an economy based on private enterprise and effective competition, it is essential that they enjoy the fruits of the system and not just be spectators standing on the sidelines."



But after the latest flare-up in Soweto, the Government's hope that the State of Emergency and the emasculation of the United Democratic Front and other organisations by detention without trial will buy time for the emergence of a strong black middle class looks even shakier.

Even before the latest incident UDF leaders still at liberty were dismissive of the Government's hard-line approach.

Dr Boesak and others believe that the past two years of intense politicisation of black communities will mean that, in the long run, government will be unable either to crush resistance or gain credit for any of a range of proposed reforms aimed at raising blacks' economic status.

"The violence needed to maintain apartheid is now so high that it will erode any sweeteners. There is too much political awareness now. If the Government had embarked on a reform policy after 1976, it might just have worked, but not with the present level of political consciousness," argues Dr Boesak.

Dr Jakes Gerwel, rector of the mainly coloured University of the Western Cape, warns of the longer-term consequences of security force brutality which has "led to people seeing the state not as merely unjust, as in the past, but as illegitimate. This feeds revolutionary and insurrectionary feelings."

The rector, himself a prime example of the kind of educated, respected community leader the Government is desperately seeking to co-opt, also sounded a warning about the counter-productive aspects of the emergency. "The Government hopes to eradicate the radicals and then deal with moderates. But it should not under-estimate the effect which removal of leaders has on the moderates they want to deal with. It makes it more difficult for moderates to negotiate if leaders like Mandela are in jail. Chief Gatsha Buthelezi is a classic example."

Dr Gerwel also points to the experience of educated, middle class coloured communities like relatively affluent Athlone in the Cape Town suburbs which were the scene of violent clashes with the security forces last year. Their sense of grievance at their political deprivation had been heightened, not assuaged, by their relative prosperity.

Indeed, there are growing signs of a black refusal to be cowed by the renewed repression of the State of Emergency, which has led to over 12,000 detentions. This has been illustrated by organised campaigns of passive resistance of which rent strikes (the issue which sparked the recent Soweto eruption) and school boycotts have been the most widespread and effective.

So far, the white authorities have displayed a seeming indifference to increasingly urgent warnings by responsible black community leaders and organisations that both education and housing were rapidly building up as issues of potentially explosive proportions.

After successfully defusing a threatened crisis over black education early this year—when officials of the Department of Education and Training (DET) struck a deal with parents' groups and others which sent hundreds of thousands of children streaming back to school—the pressures are rising once again.

Since the re-imposition of the state of emergency, the suspicion has hardened in black communities that it is no longer the educationalists in the DET but the tough men in the security forces who are calling the shots.

Armed troops have been stationed in many schools and students are being forced to wear identity tags, which to many smacks of the humiliation of the recently abolished pass system. Over 300,000 black students, some 20 per cent of the total, have failed to meet new registration requirements and risk exclusion from the current school year.

Familiar complaints about racial bias in school curricula, overcrowding, inferior teaching and equipment, as well as demands for democratically-elected students' representative councils (SRCs) and other grievances have risen to the surface again. The boycott movement has spread widely amongst both teachers and pupils who protest at being forced to study "under the barrel of a gun." Radicals who chant the chilling slogan "no education before liberation" are re-asserting their influence.

Re-imposition of the State of Emergency has not only radicalised the schools but also led to a widespread extension of the rent boycotts which have been effective in many townships on the East Rand since September 1984 and are now operational in at least 38 black townships around the country.

The roots of the housing crisis go back to the forcible eviction of thousands of blacks from their homes in inner city residential areas like Sophiatown in Johannesburg, and the construction of bleak government-owned black townships as dormitory towns and reservoirs of labour. As a result of this process, the state became landlord to millions of black tenants.

Then in 1968 the Government decided to stop building new houses for blacks as part of its grand apartheid strategy of limiting—and then reversing—the flow of blacks to urban areas. The result is today's critical black housing shortage.

Refusal to pay rents, which provide the main source of revenue for black local councils, is a key element in the black opposition's strategy of "making the townships ungovernable." The aim is to destroy the black councils which run the townships—both by depriving them of their financial base and by more direct means such as physical attacks on black councillors—and to replace them by a network of unofficial street committees and community organisations.

It was a decision to raise rents in September 1984 which sparked off the violent unrest which has cost over 2,600 lives, most of them black, over the past two years.

Despite the accumulating evidence that security force action, far from solving South Africa's deep-seated problems merely exacerbates the underlying tensions, there is little chance that the National Party Government will budge significantly from its strategy.

Its eyes now appear to be firmly fixed on preparing the white electorate for elections within the next six months and its short-term priorities are targeted on regaining right-wing support by defiance of sanctions and the outside world and tough security measures internally.

The re-emergence last week of Soweto as a focal point of black anger—despite the emergency regulations—reflects the diminishing effectiveness of repression in the face of a black majority more numerous, more organised and more convinced of its eventual victory than ever before.

Revolution is not around the corner, but the pressure to resume the crablike progress towards meaningful negotiations with black leaders—or face a black-white civil war sometime in the not too distant future—is mounting.

Men and Matters

Room at the BBC top

The death of Stuart Young, chairman of the BBC, has created a strange situation among the high peaks of British broadcasting.

Deep into the second Thatcher Conservative administration all the commanding heights of management are held by former ministers of Harold Wilson's Labour administrations.

At the Independent Broadcasting Authority, Lord Thomson, a former Chancellor of the Duchy of Lancaster, has made such a good fist of the job that, rather to his own surprise, his chairmanship was extended last year by three years.

At Channel Four, Edmund Dell, a former Labour paymaster general and trade secretary, has been chairman since 1980.

Now at the BBC Lord Barnett, former chief secretary to the Treasury, will be acting chairman until a new chairman is appointed.

At the Home Office this week a list of likely candidates will be prepared to submit to the Prime Minister.

It looks as if, with the exception of Lord Barnett who was only appointed vice-chairman on August 1, none of the present BBC governors will appear on the list.

Lord Barnett is being seen as a candidate despite his politics because of his financial skills—qualities which are likely to be much in demand at the BBC over the next five years.

Lord Windlesham, a former Tory Home Office minister and current chairman of the Parole Board, would provide a safe pair of political hands at the BBC for the Government in the run-up to the next election—if perhaps he is a trifle "wet" for Mrs Thatcher's taste.

Apart from Home Office experience, where he had a repuation for soundness, Lord Windlesham is a director of the Observer, former managing director of Grampian Television, and former chairman of Lew Grade's ATV.

And he has a hot line to the press. His wife is the journalist (ex-Times) Prudence Glynn.

The rumour mills have also come up with such possible runners as Sir William Rees-Mogg, former editor of The Times, who recently retired as vice-chairman of the BBC governors, Lord King, chairman of British Airways, and even former Home Secretary and member of the Cabinet Lord Whitelaw.

Actually knowing something about broadcasting might, of course, even be a drawback. Of recent chairmen only Lord Hill knew much about the subject as the Radio Doctor and chairman of the Independent Television Authority, before arriving in the most coveted seat in British broadcasting.

"I'm hopeless at aircraft recognition — they all look like F111s to me."

Funny money

How delightful to get a letter with "bribe enclosed" clearly written on the envelope. Inside there was a wad of 10 banknotes issue by the Central Bank of Cambodia.

The donor was coin dealer Richard Lobel who is having a sale of money at his shop opposite the British Museum, London.

He is cutting prices by up to 80 per cent and offering Roman coins minted in London for just £11. Old white "fivers" (£5 notes) are going for an inflationary £12.95.

The Cambodian notes were printed in Germany (beautifully) and were stored in the Central Bank of Cambodia when it was taken by the Khmer Rouge forces.

They were "liberated" in bulk to Thailand, and later began to appear in California where the first fetched $200 each.

The price has subsequently fallen to 15p.

So I wish to point out to my friend Richard Lobel that £1.50 isn't much of a bribe.

Seeking titles

During his six years in the US as president of the Economist's operations there Clive Greaves, aged 45, equipped himself with a track record to be envied in the world of international publishing.

He took the Economist circulation in the US from 24,000 to 105,000, largely by using American marketing techniques, with emphasis upon direct mail and individual subscriptions.

He expects the tricks he learned during that posting, together with his more recent experience as worldwide publishing director of the Economist in London, to stand him in good stead in his new job as chief executive of Marshall Cavendish, the British publishing group.

Marshall Cavendish has created more than 100 partworks in the past 17 years and now has a world market with such titles as Microwave (cooking), The Knack (do-it-yourself), and Knitting.

Greaves says he will be seeking to develop the company's magazine division, and he is likely to be on the lookout to buy some magazines with mass consumer appeal. Money should not be a problem for him. Marshall Cavendish already has a promotional budget of more than £16m a year, and Greaves has been assured by its owners that more funds are available if required.

Marshall Cavendish is part of Times Publishing Berhad, which is a subsidiary of the big Singapore publishing and newspaper group Singapore Press Holdings

Brotherly chat

Norman Willis, the amiable General Secretary of the TUC, has been under fire.

He has been charged by journalists, and his brothers, with obfuscation, not to say a failure to put over clearly what he means to say.

Yesterday on the eve of this year's conference in Brighton he sounded as if he has been putting in some unpaid overtime on his syntax—with just the occasion lapse such as "Last year we looked in ribbons. This year a modest display of bunting might be justified."

In spite of the obvious strain of trying to prevent the TUC from bursting asunder this week in any number of splits between left and right, old guard and new shock troops, and various other warring factions, he was in good humour.

Questioned at a meeting with the press about whether any affiliated unions had submitted any emergency resolutions for debate he managed some nice repartee.

He told the man from the communist Morning Star newspaper, "Please don't use words like emergency resolutions. That's dreadful language to use."

Could a semantical clean-up of trade unionism be under way?

What choice?

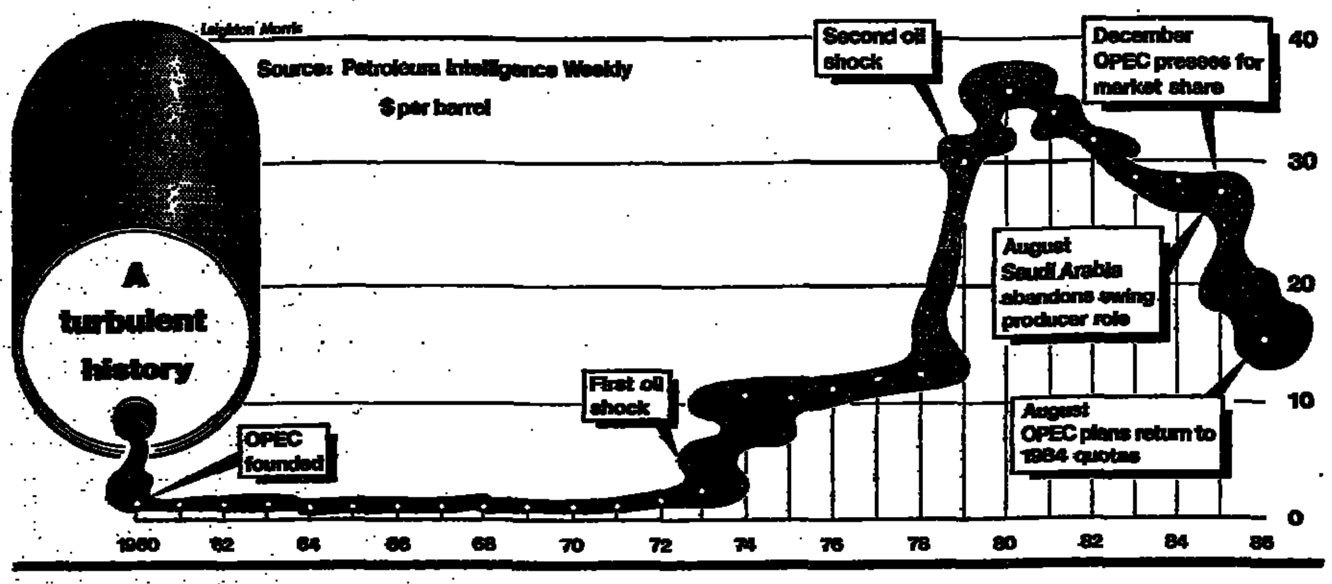
Sign in a Coventry jewellers: "Ears pierced while you wait."

Observer

OPEC'S NEW AGREEMENT

Half a cartel is stronger than none

By Max Wilkinson, Resources Editor



AFTER a traumatic eight months of trial separation, the 13-member Organisation of Petroleum Exporting Countries are back together again for eight weeks starting today.

Their re-union, after a period of acrimony heaped upon disagreement, with a full-scale war rumbling in the background, is being given a surprisingly confident blessing by the world's oil markets.

By the end of last week, the price of a barrel of Brent crude had climbed back up to $14.45, almost 70 per cent above its lowest point in late July when it was generally assumed that the breaches within Opec were far too wide to be bridged. In the US, confidence in the rapproachment has been, if anything, stronger. On the New York Mercantile Exchange, the price of light crude for October has been rising steadily to a little under $18 a barrel at the end of last week. Traders have reported a sharp change of mood in the market over the last couple of weeks. Prices now are remarkably close to the $17 to $19 range *which the senior members* of the Opec family believe is the proper level.

More significantly, perhaps, the major oil companies are beginning to express more confidence in private that "the worst may be over," after a period in which spot oil prices fell from more than $30 last autumn to well under $10 for a time, with a fall to $5 looking more and more credible.

This change of mood has been fairly abrupt since the Opec countries were continuing to pump oil at the rate of about 21m barrels a day until very recently. This level of production was 3m b/d more than the underlying demand for oil and quite inconsistent with any long-term goal for maintaining prices at present levels, let alone of increasing them.

However, oil companies have been impressed in the past week to 10 days with the preparations that Opec members have been making for their latest, rather desperate effort to end the internecine price war in which their own revenues have been the major casualty. After repeated failures this year to decide how production cuts should be shared, they agreed in Geneva on August 4 to revert to an apportionment of output ceilings which they had fixed in October 1984. These quotas, which added up to a total Opec production of 16m b/d, were widely ignored as one member after another was tempted by high prices to pump out a few extra barrels. Since Iraq has been exempted this autumn, the ceiling is, in effect, likely to be about 17m b/d.

To move abruptly from production of over 21m b/d to about 17m b/d has been a big operation, causing some considerable turbulence in the market. Saudi Arabia, the largest producer and still the effective head of the Opec family despite Iran's forceful presence, has taken the lead. It has told the oil companies that incentive discounts will be ended, asked them to revise their nominations (the amounts of crude they agree to buy) and warned that if the total exceeds the Kingdom's quota the companies will be required to reduce their purchases.

Nigeria has instructed operators to limit production to the 1.3m b/d allowed under its quota. Libya and Venezuela have informed buyers that they will be cutting output, and most of the smaller producers are falling into line. Even the United Arab Emirates, whose co-operation was considered by some oilmen as very uncertain, now seems likely to make the 50 per cent cut necessay to come within its 950,000 b/d quota.

Indeed, one close observer reported that there has been some chaos among traders in Dubai who have discovered that their expectation of large supplies of cheap oil in September is being frustrated.

The major uncertainties revolve around prospects for the long and bitter war between Iran and Iraq. Increasingly accurate air strikes by Iraq have cut Iran's ability to export to well under half its quota of 2.3m b/d. Its oil shuttle service in the northern part of the Gulf *has been reduced to only* a few tankers from an original nine, and it is reported that crews are increasingly reluctant to venture into the danger zone after recent fatalities. A total of 83 vessels have been hit by both sides so *far* this year.

On the other hand, Iraq, which exports a large part of its oil by pipeline, is said to have been producing 1.9m to 2m b/d recently compared with an official quota of only 1.2m b/d.

Iran's sudden proposal to exempt Iraq from the new quota system last month was accompanied by much bravado about how it would curb its enemy's *output* by military means. More probably it calculated that Iraq's war effort would be supported by its powerful friends, including Saudi Arabia, however low the oil price sank. Friendless Iran, by contrast, saw the combined effect of reduced output and collapsing prices as a potentially fatal *blow to its ability to* keep the war machine moving.

Iran therefore seems to have backed its demands within Opec with increasingly strident threats, particularly against Saudi Arabia. The prospect that a rise in crude prices this autumn will give it a fresh impetus for a major offensive against its foes must be deeply worrying to most Arab states.

Nevertheless, the possibility of an even bloodier phase in this war has so far done very little to disturb the cooler calculations of those engaged in the global oil market. The world could comfortably do without the oil production of both warring neighbours. Saudi Arabia, Kuwait and the UAE could fill the gap. Indeed, if they geared up to maximum production, these three countries could supply nearly the whole of the present demand for Opec oil, leaving nothing for the other ten members.

The total possible output from all the Opec countries is now probably well over 30m barrels a day, *or* about 50 per cent more than likely demand for the next year or two.

This shows the magnitude of Opec's difficulty in attempting to create even the small artificial shortage needed to push prices back up towards $18. It immediately raises the question whether the new agreement can hold together until its expiry date at the end of next month, and whether it can be renewed after that.

In the short term at least *some of the biggest* oil companies believe that the pact will hold together, if only because the oil market has signalled so clearly in the last two weeks that a *successful* agreement will be rewarded by higher prices.

However, it will be much more difficult for Opec to agree next month on how to continue the pact with a new set of quotas. All members agree that the quotas must be renegotiated, but every member has a different idea from the others about what his own quota should be. Negotiations on this topic have been tested to destruction since December 1985 when they agreed to disagree and let the market decide.

Even so, their agreement in August suggested that the common fear of another rout might be even more powerful than mutual animosities. For this reason a consensus is building up within the oil industry that a series of botched agreements will keep the markets guessing.

As one oil company executive said: "If the cartel keeps going after October, everyone will be waiting for the next collapse. If it collapses, everyone will be waiting for them to try again."

On this view prices will maintain an uneasy equilibrium between the hopes and fears of Opec, perhaps for some years. But the events of the summer have shown that if Opec can at least keep its show on the road, oil prices are unlikely to sink to the very low levels which seemed possible for a while.

Without this, any cuts in exports by non-Opec producers will be of no avail. Norway, Mexico, Malaysia and the Soviet Union, which all suggested that they might co-operate with Opec, know this well. On the other hand, if, as seems likely, the Opec cartel is finely balanced between success and failure, the influence of non-Opec exporters could be highly important to the psychology of the markets.

Even Mrs Thatcher, the most steadfast of non-collaborators, may be won round a little to this view when she crosses the North Sea to visit the Norwegian Prime Minister, Mrs Gro Harlem Brundtland, early this month.

For the fact is that the game has changed radically even *since last year*, when Opec's cartel was in obvious difficulties but the oil price was maintained at $27 to $30 a barrel. Now Saudi Arabia has made it extremely clear that it does not want the oil price to move much above $18 and certainly not above $20 in the medium term. In spite of militant opposition from Iran, Iraq and Libya, this "moderate view" seems to have carried the day.

A confidential paper circulated by a group of Opec members at the last meeting explains why. A price of $18 is low enough to curb oil exploration and development in the North Sea and Alaska, and would at least slow down moves to conserve energy and to switch from oil to alternative fuels. Indeed, some idle oil-fired power stations might come back into use. But the price also gives Opec producers at least enough revenue to prevent the worst domestic economic problems.

Oil companies would all be happy with a price of $18, because it would improve their earnings from production without too severe an effect on their marketing of products like petrol. Many industrial countries, including the US, would like a price above $15, because they want to keep Western oil industries going and do not wish a return to the profligate use of energy.

For all these reasons, the old spirit of confrontation is disappearing and all the major oil interests are being drawn into a common circle, where one of the most important parts of the game is to influence the markets. This is new, but not new. It was, in different circumstances, the kind of balance which was struck in the first 13 years of Opec's existence after its foundation in 1960.

Lombard

High-tech chance for Europe

By Geoffrey Owen

WESTERN EUROPE has too *few internationally competitive* companies in the information technology (IT) industries. What can governments do about it? Ian Mackintosh, a consultant to the electronics industry, thinks the answer lies in the construction of a Eurogrid, a Europe-wide, broad-band communications network, based on optical fibres, which will stimulate a huge increase in demand for information services and for the equipment needed to satisfy that demand. He estimates that cumulative installation costs over the period 1990-2005 will be about $400bn, largely financed by taxpayers, and that the investment will create an additional demand for IT products of about $325bn, enough to provide the economies of scale which European IT companies need. The bulk of the terminals and other equipment would be supplied, under preferential arrangements for which special exemption from Gatt rules would *be* needed, from companies based in Europe.

Mackintosh argues that past government IT support programmes have generally been too small and too focused on "technology push." Under his proposal the funds would be very large and would be devoted mainly to stimulating demand and meeting it.

He underlines Europe's poor showing in what he regards as the *six* key segments of IT—computers, consumer electronics, industrial automation, integrated circuits, office equipment and telecommunications. "Europe is more or less holding its own," he says, "in printed circuits, passive components, certain kinds of instrumentation, high *power* silicon *transistors* and a number of niche product areas." But these segments are mostly *low-growth* and low-tech.

Interestingly, Mackintosh doubts the relevance of defence electronics to Europe's commercial future. The military no longer provides as important a demand pull as it did in the formative years of modern electronics; the commercial and industrial market, requiring very low cost, high-performance products, is now *at* the leading edge of technology, he says.

As he envisages it, the world electronics industry in the year 2000 "will be dominated by *broad-line, vertically integrated* and multinational producers capable of assembling the technological and manpower resources to compete effectively in all of the key product segments and in any significant marketplace. These monster companies will support and be supported by a host of smaller niche producers supplying specialist software and hardware products and services." The fear is that, without a massive injection of fresh demand, European producers will lose any chance of being represented among them.

European governments have shown no enthusiasm for the centrally planned pump-priming investment which Mackintosh favours; his recipe might simply replace national with European protectionism and do little to improve competitiveness. Nevertheless, he is surely right to pinpoint telecommunications as an area where governments can have a direct influence on the *fortunes of* European IT companies. The technological changes now taking place in telecommunications, and the new businesses which they are spawning, create an unprecedented opportunity for Europe. If the tentative moves towards deregulation can be co-ordinated and if they are accompanied by a determined push towards standardisation, European governments will be providing their IT companies, not with the protected market suggested by Mackintosh, but with the opportunities for securing the economies of scale which he rightly regards as essential.

In the US Siemens, Ericsson and other European companies are trying to sell their telecommunications equipment through normal commercial methods to the Bell telephone companies. In France the same companies are negotiating with the French *Government* for a share of the French market—a share which will, of course, be very much smaller than that enjoyed by France's national champion. Until Europe offers the same open market as the US, the prospects for Europe's IT companies will remain bleak.

Sunrise Europe; the dynamics of information technology. By Ian Mackintosh. Blackwell £17.50.

Letters to the Editor

True extent of unemployment

From Mr Douglas Hamilton

Sir,—Mr McKinnon, chairman of *Consolidated Metal Company*, joins the increasing number of people who believe the myth that only a small proportion of the recorded unemployed are genuinely unemployed.

One can only assume from his comments (August 22) that he either believes that unemployment is a figment of someone's imagination, including presumably the Government, or that the unemployed themselves are clearly not interested in seeking work.

I don't know who he speaks to but here in Coventry managing directors of such companies as Jaguar, Massey-Ferguson and Peugeot-Talbot I am sure would be only too willing to tell him of their experiences when advertising new job vacancies.

Jaguar, for example, recently advertised 530 jobs and received over 2,000 inquiries and had to call a halt to further applications. Meanwhile, queues formed outside the city's Job Centre even before it opened.

Another example is Peugeot-Talbot who advertised for 12 apprentices and received more than 350 applications, 220 even before they were advertised.

These examples show that the 60,000 people who have lost their jobs in Coventry *over the* past ten years have not vanished into thin air or settled for a cosy life of unemployment, but exist and are desperate for work.

If Mr McKinnon really wants an authoritative and independent view of unemployment I can only suggest that he leaves his London office for one day and visits Coventry or elsewhere in the West Midlands and actually speaks to those thousands of unemployed people who he *claims* are *not* interested in work. He might then realise that areas such as Coventry are indeed in "dire straits because of unemployment."

If he were to visit some parts of *Coventry* he would be hard pressed to actually find someone in work.

Mr McKinnon is correct when he says that the published figures for unemployment bear little relationship to the facts *of life*. Where he is wrong, however, is in thinking that the figures overstate the problem. Numerous "independent" surveys and reports have shown that Government figures grossly understate the true extent of unemployment.

Douglas Hamilton.
12 Whoberley Avenue, Coventry, West Midlands.

Regulating UK accountants

From Mr James Geddes

Sir,—In your article on Regulating UK Accountants (August 27) the main thread of your argument stems from the potential conflicts of interest which may arise from the multiple roles of today's accountants: in particular the roles of auditing and management consultancy.

However, you neglected the fundamental point that, in both these roles, the accountant is serving the shareholders. As auditor, the accountant ensures that the financial statements are true and fair; and as consultant the accountant is aiding management in order to increase shareholders' profits.

There is no essential reason why the scrupulous accountant should not be capable of combining the two roles effectively in order to provide the shareholders with a cost-efficient service. An unscrupulous accountant would soon be out of business whether he performed dual roles, or just auditing.

In practice, there is very little liaison between the management consultancy departments and the audit departments of the big firms, as different partners and staff perform the different roles.

However, contrary to the arguments set out in the *Government's consultative* paper on the regulation of auditors, I would welcome the co-ordination of the two areas. There would be more chance that irregularities such as fraud would be detected because there would be closer contact with management. Factors such as management integrity could be assessed more clearly and internal problems could be more easily identified.

The accountant is surely better able to perform his role as auditor, and also to serve the shareholder in a wider context than just auditing, if he provides an extensive service and is closely involved with his clients. The understanding thus created can only serve to increase his efficiency.

James B. Geddes,
Trainee Chartered Accountant with Touche Ross & Co.
26 Gubyon Avenue, SE24

Telephone plans

From Mr Trevor Harvey, General Manager, Mobile Phone Division, British Telecom

Sir, — Your report (August 22) on British Telecom's policy on Cellphones raises two important points.

First, as long ago as October last year, British Telecom drew to the attention of the Government's approval agency, BABT, and through them Oftel, our plans for the new range of Cellphones and their exclusive features. We have always made our intentions clear.

Second, although Oftel discussed the products with us earlier this year and expressed some reservations, the telephones were subsequently approved by the Department of Trade and Industry on Oftel's recommendation. Only then, in May, did we launch the phones *on to the market*.

We are aware that Oftel now wishes to review the matter in principle and BT will co-operate fully in any review. Right from the start we have acted in good faith and in an open and above-board way.

I should also point out that your report incorrectly states that Cellnet introduced the range of phones. As the network operator, Cellnet does not retail equipment. The phones concerned were introduced by British Telecom Mobile Phone Division.

Trevor Harvey.
Docos House, 62-82, Commercial Rd, London E1.

Interest rates and wages

From Mr Anthony Jacobs

Sir,—The Government tells industrialists that Britain's excessively high interest rates *will be reduced just as soon* as they begin to make wage settlements in line with the rate of inflation rather than about 5 per cent above it.

It does appear, however, that although West Germany's rate *of inflation is zero, it* is currently giving wage settlements of between 4½ and 5 per cent, as reported in The Big Engine That Wouldn't by Rupert Cornwell (August 28). So it does seem that even Germany *is unable to* avoid *giving* real increases in wages comparable with the level given by British industrialists.

If the Government would just accept the realities of the situation and bring about a *substantial* reduction of *interest* rates, then the level of unemployment would very likely fall for three reasons:

1. If wage settlements are in excess of the rate of inflation then the level of demand for *products will increase.*
2. If interest rates fall, very likely the exchange rate of sterling will also fall and we will become *more competitive* thereby increasing the volume of exports.
3. Lower interest rates will bring about greater investment to those marginal projects which are uneconomic when industry has to pay 9 per cent more than the rate of inflation.

Of course, a lower exchange rate will mean higher cost of imports, but this will to some extent be offset by lower mortgage interest rates which will also lower the rate *of inflation*.

Anthony Jacobs.
9, Nottingham Terrace, NW1.

Non-broadcast video market

From Ms Sheila Hayman

Sir,—As an erstwhile producer for BBC Television now working freelance, I should like to point out to John Chittock (Film and Video, August 19) that he has mistaken cause and *effect*. The *world* of non-broadcast video is burgeoning; the Northern Newsreels are an unusually professional and developed example of what can be done for the audience outside television.

But the Left wing is not about to hijack this market out of anybody else's hands. It has invented the market because the broadcast outlets have already been hijacked by the Right wing.

Norman Tebbit may still *believe* that the BBC is dangerously tinged with pink, but the production teams of Red Herrings, Edge of the Union and Horizon-AIDS, all suppressed or heavily mutilated, would tell it differently.

And what about the lavish video sales documents that now accompany every flotation and takeover squabble? It's an effective weapon, and it's already firmly in the hands of those who can best afford it.

While production costs run at a minimum of £1,000 a minute, your correspondent need not fear an avalanche of Marxist propaganda.

Sheila Hayman.
56 St Stephen's Gardens, W2

Differences over time zones

From Mr James Burt

Sir,—I must disagree with Mr John Locke's letter (August 28) giving Tokyo as the best placed foreign exchange centre when compared to London and New York.

The time differences are as follows:

	London	N York	Tokyo
London	—	5	9
N York	5	—	10
Tokyo	9	10	—

Tokyo is clearly the worst placed as it is almost diametrically opposed to the mid-point (in time zone terms) between London and New York.

James Burt,
13 Lawn Terrace, Blackheath, SE3.

FINANCIAL TIMES
Monday September 1 1986

Terry Byland on Wall Street

Utilities meet peak demand

IN NO SECTOR of the Wall Street stock markets have the expectations of lower domestic interest rates been more clearly indicated than in the electrical utility stocks. The Dow Jones utilities average returned to its all-time high on Friday, showing a gain of about 7.5 per cent since mid-July, when the financial markets caught the hint of the first cut in federal discount rate.

It is not surprising that utility stocks, with their heavy capital commitments, should respond so favourably to the downward trend of interest charges, which will boost their earnings both this year and next.

But the interest rate play may have driven the market to overlook the heavy financing and environmental problems still faced by many utilities over nuclear plant projects. The environmental and social outlook for nuclear plants is hard to read after *Chernobyl*. But there can be no gainsaying the financial implications for companies with plants now in, or close to, operation.

Stocks in utilities with nuclear plants comfortably on stream and, more importantly, with the rate increases granted to cover their costs, have comfortably matched or exceeded the gain in the utilities average. But similar performances have come from stocks in lower quality companies, which either operate in the economically weak regions of the US, or still face significant financial or regulatory problems over nuclear plant projects. A case for switching out of the problem stocks and concentrating on the winners, perhaps.

AZP (formerly Arizona Public Service), seems to be overrated in view of its still unresolved rating claims on the Palo Verde nuclear plant, in which it has a 29 per cent stake. Palo Verde units 1 and 2 have gone into service, yet AZP has so far received rate increases covering only half the cost of unit 1 and nothing for unit 2, and prospects for needed rate increase for unit 3 are by no means certain, according to Mr Barry Abramson at Prudential-Bache.

US UTILITIES

Company	% since July
AZP	+ 6.7
Texas Utilities	+ 9
Houston Inds	+12.5
Philadelphia Elect	+ 9.5
NYSE & G	+ 8.8

With these cost burdens hanging over earnings, some analysts suggest that AZP profits could be down by 10 per cent to 12 per cent this year. Yet the stock price has put on 6.7 per cent since mid-July, one of the best gains in the sector and not far behind the percentage gain in the Dow utilities average.

Perhaps Houston Industries, which takes the bulk of its earnings from residental, commercial and industrial customers in the Houston area, is a better example of over-enthusiasm in the stock market. Houston is still the hardest hit of the Texas energy towns, with a glut of unsold or unlet commercial property which could take several years to clear away even if the oil industry stages a recovery.

The company has a 30 per cent stake in the $5.5bn South Texas nuclear project, which has run into serious cost criticisms and also faces a Texas public utility commission which is tightening its regulatory policies.

The Texas regulators have already claimed that more than $1bn has been "imprudently" spent on South Texas. Houston Industries faces capital expenditure of about $1.5bn annually through the rest of the decade and, while comfortably financed at present, needs favourable rate reviews for South Texas a little too keenly for some Wall Street analysts.

Yet, since mid-July, Houston Industries stock has outpaced the Dow utilities average, as well as many more soundly prosperous electric utility companies.

On the other side of the scales, similar gains in share price have been registered by many east coast utilities, where prospects both for rates and for industrial expansion seem better.

New York State Electric & Gas (NYSE & G) still faces the final ruling from the New York State Public Service Commission on costs at Nine Mile Point. But the plant should be on stream by early next year.

If the commission ruling proves acceptable, then NYSE & G's dividend, which underpins an attractive 7 per cent yield, will be safe. Add to that the company's geographical location in a prosperous growth state, and the strength of the stock price makes sense.

In a stock market now looking decidedly nervous as it tries to cling to its all-time peaks in the face of progressively poorer news from the real economy, a day of reckoning may be at hand.

US moves nearer arms pact with Soviet Union

BY NANCY DUNNE IN WASHINGTON

A CONSENSUS has apparently developed within the Reagan Administration favouring new arms control proposals, which would bring the US and the Soviet Union closer to a pact on missile ceilings.

With the time shortening for an agreement which could lead to a superpower summit this year, the administration appears ready to abandon its insistence on deep cuts in offensive weapons in order to narrow its differences with the Soviets.

According to yesterday's New York Times, new American proposals now under consideration include:

- A 25 per cent increase in the number of ballistic missile warheads and air launched cruise missiles. The Soviets have proposed an 8,000 limit; Washington will offer 7,500.
- A 10 per cent increase in the number of warheads permitted on land based missiles to be set at 3,300. The Soviets, who have 6,400, have proposed 4,800.
- An increase of more than 20 per cent in the overall limit of warheads carried by land-based and sea-based ballistic missiles. The US, which previously proposed a 4,500 ceiling, would raise that to 5,500.

While attempting to move closer to the Soviets on missile numbers, recent Soviet concessions on inspection procedures have advanced an agreement in Stockholm on guidelines to avoid accidental war in Europe.

In Washington, Reagan Administration officials say that Moscow's acceptance of on-site and aerial inspections of its troops in Eastern Europe have paved the way for a non-aggression pact in Europe by the targeted date of September 19. The pact would forbid the use of aggression for the settlement of disputes.

For its part, the US has agreed to notify Moscow in advance of large US troop movements in Europe.

In the new weapons proposals, the US is reportedly ready to back down from its insistence on a ban on long-range mobile missiles. The Soviets are considered to have the advantage in that area, but foregoing the ban would allow for the development of the slow mobile "midget man" missiles supported by US congressional moderates.

The US will, according to the New York Times, try to specify which land based missiles Moscow can deploy. It could, for example, require that no more than half of the Soviet warheads be carried on six-warhead SS-18 missiles, and force Moscow to drop plans to deploy new 10-warhead SS-24s.

A final administration decision on the new proposals may be reached before the next meeting of US and Soviet negotiators next weekend in Washington.

It was not clear, however, if the new more conciliatory US position would be heartened by the arrest on Saturday in Moscow of Mr Nicholas Daniloff, an American US News and World Report magazine correspondent. Mr Daniloff's detention by the KGB on suspect charges of receiving top secret documents was viewed here as retaliation for the arrest in New York of a Soviet UN employee on spy charges.

Mr Daniloff is widely believed here to have been "set up" by the KGB in order to prepare for an exchange.

The incident could, at the very least, sabotage the successful Soviet arms control public relations effort.

KGB arrests US journalist, Page 2; Last lap to summit, Page 14

UK employers reduce growth forecast and see lower output

BY GEORGE GRAHAM IN LONDON

UK ECONOMIC growth will slow and manufacturing output will fall this year according to the latest forecast by the Confederation of British Industry (CBI).

Manufacturing output remains in the doldrums and the CBI sees no improvement until late in the year. This will leave output for 1986 as a whole 0.5 per cent lower than the previous year, the CBI expects, while its last forecast in April saw an increase of 3.2 per cent.

The predictions provide a gloomy backdrop for the Trades Union Congress, just starting in Brighton, and the political parties' conference season, due to begin shortly.

Although Mr Nigel Lawson, Chancellor of the Exchequer, has consistently argued that the economic downturn evident since last year is only a "pause," today's forecasts indicate that the mood of manufacturing industry is continuing to change for the worse.

The forecasts are supported by the CBI's latest survey of manufacturing companies, which shows that order books remain flat and little increase in output is expected over the next four months.

For the economy as a whole, the CBI forecasts growth of 2 per cent this year, compared with its earlier forecast of 2.4 per cent. Growth is expected to pick up to 2.6 per cent in 1987 – still lower than the 2.8 per cent projected in its April forecast – as the benefits of lower oil and commodity prices feed through into the economy.

Most economic forecasters have been revising their projections downwards as a worldwide slowdown in activity has made itself felt in the wake of the collapse of oil prices. The National Institute for Economic and Social Research last week cut its forecast for UK growth to 1.8 per cent in each of 1986 and 1987.

Growth of 2.6 per cent should be just enough to start to bring down the level of unemployment next year, the CBI's economists feel. They expect about 300,000 jobs to be created by the end of 1987, leading to a fall in unemployment of perhaps 150,000 from current levels as more young people enter the workforce. Manufacturing employment is expected to continue to fall.

The slowdown in growth is expected to bring mounting problems over the UK's trade deficit. Exports are projected to rise by 1.7 per cent in 1986 and by almost 3 per cent in 1987, but imports are expected to grow even faster.

This will still leave the current account of the UK's balance of payments in surplus this year, the CBI says, but a current account deficit will emerge in the second quarter of 1987 and total amost £1.7bn ($2.53bn) for the whole year.

"This sluggish rate of growth highlights the need to improve our competitiveness," said Mr David Wigglesworth, group chief executive of Bemrose Corporation and chairman of the CBI's economic situation committee.

"UK exports are currently growing at only just over half the rate of increase in world trade generally. The way to improve our market share is by ensuring our design, quality, delivery and after-sales service are better, our productivity is higher and our cost, price and pay increases are lower than our overseas rivals.

The CBI expects a slight increase in the rate of inflation over the next two years. Retail prices are projected to rise by 3.3 per cent in 1986 and 4.2 per cent in 1987.

A sharp reduction is also forecast in the level of saving by the personal sector. Savings as a proportion of personal disposable income are to fall from 11.7 per cent for the whole of 1985 and the first quarter of this year to average 9.8 per cent in 1986 and only 8.1 per cent in 1987. This would be the lowest savings ratio since 1963.

Labour plans attacked, Page 4

Aerospace boost for prop-fan

BY MICHAEL DONNE, AEROSPACE CORRESPONDENT

THE WORLD'S leading aerospace companies have conquered their doubts about a new breed of aero-engine which, it is claimed, will yield fuel savings of up to 25 per cent and offer passengers a smoother, quieter flight.

Manufacturers unveiled a wide range of designs and applications for the new generation prop-fan power unit at yesterday's opening of the Farnborough International Air Show in southern England.

The scepticism shown at the last show in 1984 had evaporated, and many have now decided either to join in development programmes or studies for the engine's future use.

Although different manufacturers give different names to their prop-fan engine designs, in each case they involve harnessing a new design of multi-bladed propellor to an improved design of gas turbine engine to give speeds equal to those of today's jet airliners with the big savings in fuel consumption.

Although the concept is still some way from airline service – 1991-92 is the earliest date currently planned – it is now estimated that investment in prop-fans in the US alone is now running at over $1bn a year, and that that sum is expanding rapidly.

The first successful flight of a prop-fan engine was achieved by General Electric of the US two weeks ago in a specially modified Boeing 727 jet airliner, using the GE-36 prop-fan engine designed to power the new Boeing 707 twin-engined aircraft now under development for airline service in 1992.

Most of the major aircraft and engine companies exhibiting at this year's Farnborough yesterday revealed their rapidly escalting interest in the prop-fan concept.

GE itself said that, in addition to developing the GE-36, it was also studying bigger versions of the engine for such larger aircraft as the Boeing 747 Jumbo jet for the mid-1990s.

Boeing revealed not only that it had plans for a larger, longer-range version of the Jumbo, the 747 Series 500, but also that it was thinking of other prop-fan aircraft, such as smaller 100 to 110-seater for short-range use, and a prop-fan version of the existing medium-range 767

Rolls-Royce revealed designs for three prop-fan type engines – the contra-fan for use on the long-range Jumbo jets, and the super-fan and prop-fan for medium- and short-range airliners.

Airbus Industrie, the European airliner manufacturing group, admitted that it was also "actively interested" in the prop-fan concept, and would consider using such engines when the reached "sufficient maturity and economic gains for efficient airline operations."

British Aerospace, which builds the Type 146 four-engined regional jet airliner, is also looking at the possibility of installing prop-fans on the aircraft in the 1990s.

Nimrod 'no longer lame duck,' Page 4

World Weather

		°C	°F			°C	°F			°C	°F			°C	°F
Ajaccio	S	23	73	Dubrovnik	S	23	73	Malta	F	30	86	Rhodes	S	29	84
Algiers	T	25	77	Edinburgh	F	12	54	Manchester	F	14	57	Rio de J'o	C	30	86
Amsterdam	F	16	58	Faro	F	25	77	Manila	C	29	84	Rome	S	25	77
Athens	S	32	90	Florence	S	25	77	Melbourne	C	15	59	Salzburg	F	15	59
Bahrain	S	39	102	Frankfurt	C	16	61	Mexico City	S	23	73	San Francisco	S	22	72
Bangkok	S	33	91	Funchal	F	23	73	Miami	C	31	88	Seoul	F	28	82
Barcelona	F	22	72	Geneva	S	17	63	Milan	S	22	72	Singapore	F	27	81
Beirut	—	—	—	Gibraltar	C	22	72	Montreal	S	21	70	Stockholm	C	9	48
Belfast	C	13	55	Glasgow	C	13	55	Moscow	R	23	73	Strasbourg	C	15	59
Belgrade	F	19	66	Guernsey	F	14	57	Munich	F	14	57	Sydney	S	18	64
Berlin	C	15	59	Helsinki	F	13	55	Nairobi	F	24	75	Taipei	S	32	90
Biarritz	C	16	61	H. Kong	F	31	88	Naples	S	27	81	Tangier	F	25	77
Bombay	F	27	81	Innsbruck	C	14	57	Nassau	R	33	91	Tel Aviv	S	32	90
Bordeaux	C	19	66	Inverness	F	12	54	New Delhi	S	33	91	Tenerife	F	25	77
Brussels	F	14	57	Islamabad	S	23	73	New York	S	17	63	Tokyo	S	30	86
Budapest	F	19	66	Istanbul	S	23	73	Nice	S	21	70	Toronto	S	22	72
B. Aires	C	18	64	Jakarta	—	—	—	Nicosia	S	38	100	Tunis	S	31	88
Cairo	S	33	91	Jersey	F	16	61	Oporto	S	20	68	Valencia	R	20	68
Cape Town	S	19	66	Jo'burg	S	16	61	Oslo	S	16	61	Venice	S	22	72
Caracas	C	28	82	Lima	C	19	66	Paris	C	15	59	Vienna	S	19	66
Casablanca	S	25	77	Lisbon	S	26	79	Peking	S	30	86	Warsaw	C	15	59
Chicago	C	25	77	London	C	17	63	Prague	C	14	57	Washington	S	14	57
Cologne	R	14	57	Los Angeles	C	30	86	Reykjavik	C	9	48	Zurich	F	15	59
Copenhagen	F	16	61	Luxembourg	C	14	57								
Corfu	S	31	88	Madrid	C	18	64								
Dallas	C	21	70	Majorca	F	25	77								
Dublin	F	14	57	Malaga	F	26	79								

Readings at mid-day yesterday:
C–Cloudy D–Drizzle F–Fair Fg–Fog H–Hail R–Rain S–Sun Sl–Sleet Sn–Snow T–Thunder

Brokers move against ITC

Continued from Page 1

The Council member governments, however, including Britain, have consistently denied liability and they may choose to fight the brokers' petition for the winding up of the council.

Since the failure of efforts to refinance the London based ITC in March, its activities have been reduced to a limited range of administrative and statistical functions.

The decision by Tinco to make its first move in the British High Court does not preclude separate legal actions being mounted by its members against one or more of the ITC governments.

Eurotunnel group plans October placing

By Andrew Taylor in London

A £200m ($295m) international share placing postponed last month by Eurotunnel, the Anglo-French Channel tunnel consortium, is now expected to take place in the week beginning October 20.

A date is being sought from the UK Government broker by the consortium's brokers, Scrimgeour Vickers and County Securities: one suggested date is Friday October 24.

The placing has not been able to go ahead until bankers have reconfirmed their willingness to provide Eurotunnel with more than £5bn in loans and standby credits.

Bankers have been unwilling to do so until problems were resolved over the terms of construction contracts which they felt favoured the 10 British and French contractors which helped found the Eurotunnel consortium.

These differences appear to have been largely resolved and the main construction contract was signed two weeks ago in Paris. A loan memorandum, unless there are further objections, is now expected to be signed by the end of this month with about 40 international banks, including around a dozen Japanese.

Once this is done, the postponed placing can go ahead. Britain's contribution is expected to be around £70m with a similar amount to be raised in France. The remaining £60m will be placed elsewhere in Europe, Japan and the US.

Shares are likely to be priced at around FFr 120 ($18) each. The sterling equivalent, currently around £12.06, will be calculated just before the shares are issued.

In the UK, the shares are most likely to appeal to insurance groups or other institutions prepared to take a long view on the investment. No dividend will be paid until after the tunnel's planned opening in 1993.

Eurotunnel says that two-thirds of the 30 British institutions which have already indicated they expect to support the placing are insurance groups.

A straw poll carried out last month by the Financial Times of 25 of Britain's largest institutions, the majority of them pension funds, revealed only six were prepared to invest in the project.

A pathfinder prospectus for the placing is due to be issued around September 19 with a full prospectus due around October 20.

A much larger public share issue to raise about £750m is planned for next summer, of which Britain's share is likely to be about £300m. Once this is completed Eurotunnel will seek a quote for its shares on the London and Paris stock exchanges.

Montedison nears deal with Fermenta

Continued from Page 1

were only the "lines of the agreement."

Montedison is expected to reveal further information about its Fermenta talks tomorrow when it holds an extraordinary shareholders meeting in Milan. Consob, the Italian stock market regulatory authority, has asked Montedison to inform shareholders in detail about the Fermenta deal and other recent transactions.

Mr El-Sayed said he had chiefly been negotiating with Montedison for the sale of part of his holding of 6m A shares. Mr El-Sayed is currently the only holder of A shares in Fermenta, which each carry one vote. The remaining 32.5m B shares have only one-tenth of a vote each.

Through his present stake of 6m A shares and around 10m B shares, Mr El-Sayed, who acquired Fermenta at the beginning of 1982, currently controls more than 75 per cent of the votes and some 41 per cent of the equity in the company.

He is under pressure to sell a significant part of his holding because of his SKr 1.4bn of personal debt, of which more than a third or some SKr 550m is due for repayment before the end of the year.

The debt was largely accumulated early this year shortly before the spectacular collapse of Mr El-Sayed's planned co-operation deal with Volvo, in which Sweden's leading industrial group was to have taken a stake of up to 25 per cent in Fermenta.

The protracted negotiations by Mr El-Sayed with both Montedison and with various Swedish financial institutions has been a complicated exercise apparently aimed at ensuring him – at least temporarily – a continuing presence in the company.

He has allowed the local trades unions in Fermenta in Sweden to play a significant role, granting them an apparent right of veto on the initial deal.

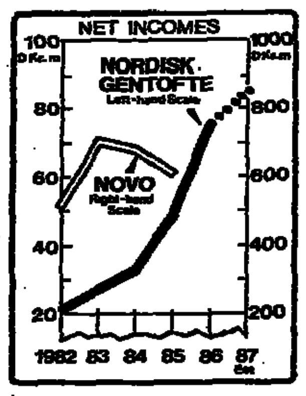
THE LEX COLUMN

No free lunch in America

The slashing of the US corporate tax rate might grab the headlines. But businessmen can hardly squeeze out a yell of yippee before they discover that the new federal tax legislation, billed as the most wide-ranging reform in 30 years, is not about to turn the country into a corporate tax haven. One of the main purposes of the changes is to shift the tax burden from individuals to companies, by raising an extra $120bn of corporate taxes over the next five years. Though the federal tax rate will be cut from 46 to 34 per cent, most of the tax shelters and allowances which have enabled the top US companies to hand over only 15 per cent of profits on average to the tax man will vanish. And just to make sure that no business escapes tax entirely, a so-called "alternative minimum" 20 per cent tax rate is being introduced.

Like the UK move to cut corporation tax from 52 to 35 per cent, also allied to the removal of reliefs, the US changes will create winners and losers. Spot the beneficiaries has been a game worth a few pence on many a UK company share price since the House of Representatives and the Senate agreed to agree two weeks ago. However, until the final proposals are published, probably in mid-September, no one can say what the precise effect on earnings will be. Though high tax payers such as retailers and service companies will be better off, and companies with big capital spending plans will lose out, the swings and roundabouts do not cancel out so simply.

On balance the tax bill looks more favourable than not for UK companies, which in the main have avoided buying the real smokestack business destined to suffer most, unlike those West German and Japanese car manufacturers which have set up factories. Even ICI has not been investing in big chemical plants, but in the speciality end, while the range of US acquirers from Saatchi & Saatchi to Cadbury Schweppes and Rowntree Mackintosh are not planning large, and no longer offsetable, capital expenditure. The gains on the rate cut ought to outweigh the losses on the removal of investment tax credit and the slowdown of depreciation.



They will be hit by the ending of dual residence status which many UK businesses have used in order to claim interest bills against both UK and US tax. This loophole has been due for closure for years as tax authorities on both sides of the Atlantic have seen the trick as tax avoidance. Foreign companies buying businesses in the US, which have thus achieved a lower funding rate than their indigenous rivals in making acquisitions, will now lose that edge. At least the original plan that the change would only hurt non-US taxpayers has been amended to treat US companies the same way.

Real losers from the bill are property companies, which will see the depreciation period on commercial buildings move out from 19 to 31½ years. Already property prices have anticipated the bill and perhaps now fewer glass palaces will be built to stand empty.

Though the effect on actual tax rates may not be as dramatic as first imagined, there will be benefits if the tax bill really does bolster the US economy and take tax considerations out of corporate decision making. The first hope is best left to the politicians and economists, who can stretch logic to extraordinary lengths in justifying expectations of cuts in interest rates and an improving trade balance. As for the latter, a lower corporate tax rate may make the US look a more attractive place to do business, but that is not a good enough reason to go anywhere, as millionaires suffering in uncongenial tax exile can testify.

Nordisk

Those City institutions which burned their fingers in the fall from grace of Novo Industri are to get a rare twice-in-a-lifetime chance to invest in a fast-growing Danish insulin company – and in a very peculiar manner. Nordisk Gentofte, a sort of Danish Wellcome writ small, has doubled its turnover in three years and trebled its profits in two and, not surprisingly, can no longer finance its business from bank borrowing and mortgage finance. Having raised DKr 122m last year from a private placing, it is now coming to the Danish market to raise a minimum of DKr 180m through a tender offer.

The novelty is that the issue is being partially underwritten by James Capel in London, which is also inviting selected UK (and Swiss) institutions to tender for stock. The issue has skilfully steered its way round the stock exchange's obstacle course being neither a private placing nor an offer for sale: the prospectus has beautiful pictures in it and is therefore not a prospectus at all, but an information memorandum.

Since Danish tender offers are struck at hefty premiums to their minimum price (which is 13 times earnings in Nordisk's case), those underwriting at that price are happy indeed. Nordisk has a very secure position in its major market of insulin (where it is third after Lilly and Novo), is free of Novo's troublesome enzyme business and is expanding fast from its research base into biotechnology. But non-professional investors, who might like the sound of Nordisk, must apply through Copenhagen and learn the Danish for fill your boots.

FINANCIAL TIMES
Monday September 1 1986

INTERNATIONAL BONDS

Merrill Lynch issue may spark interest in Ecus

BY CLARE PEARSON IN LONDON

IS THE long eclipse of the Ecu bond sector by its mighty D-Mark counterpart drawing to a close? Some bankers thought on Friday that it might be after the launch of an Ecu 75m issue for Merrill Lynch by Banque Paribas.

With the dollar sector of the Eurobond market in the doldrums because of currency worries and investors in D-Mark issues disappointed again last week by the Bundesbank's failure to cut leading interest rates, there are some signs that interest in Ecu paper as an alternative is picking up.

The Ecu's role in the Eurobond market has been in decline as investors have concentrated on the strength of the D-Mark and the prolonged expectation that West Germany will cut key interest rates. Moreover, prestigious borrowers who might have revived interest have mostly kept away from the Ecu sector in recent weeks.

Now Banque Paribas Capital Markets, which led Merrill Lynch's deal, says it foresees a bout of profit-taking in the D-Mark sector.

Nevertheless, on Friday it looked as though what one trader described as the D-Mark sector's "long fantasies of lower yields" were still well and truly alive. Though the West German authorities had once again resisted US pressure to cut the discount rate, which has stood at 3½ per cent since last March, Thursday also saw the announcement of a record July trade surplus of DM 10.9bn.

The market signalled its continuing enthusiasm by according a strong response to a DM 4bn two-tranche government loan stock. The 10-year tranche pays interest at only 5¾ per cent and the 30-year tranche at 5⅞ per cent. Both tranches were quoted at prices around or above their issue prices.

The only shadow over the DM Eurobond market seems to be a relatively heavy supply of 10-year issues. While these are attracting investors speculating on future interest rates, dealers say many buyers are now turning to shorter-dated maturities. These have seen yield levels increase through relative neglect.

But as the Ecu market has languished, yields have widened so that the differential against D-Mark bonds may just be enough to rekindle interest. Merrill Lynch's four-year bond has a coupon of 7 per cent, representing about a 1¼ per cent pick-up over DM bonds of comparable maturity.

The issue seemed to meet with good demand on Friday, trading at discounts to issue price well within 1⅜ per cent fees.

Like the D-Mark market, the Euroyen sector is also enjoying the long drawn-out expectation of lower rates. It has also waited in vain for a cut in official interest rates and last week too many borrowers were trying to take advantage of the buoyant secondary market. New issues for the week as a whole totalled Y160bn, of which Y100bn appeared on Wednesday alone.

Many of the new issues dropped to price levels that were potentially loss-making for underwriters. Daiwa Europe, for instance, was forced to lower bid prices for its Y60bn two-tranche issue for Austria on Friday to levels about ½ per cent below fees as its support bid was being heavily hit.

Despite very low turnover in the sterling sector, Samuel Montagu bravely launched the largest sterling Eurobond ever for Abbey National, the UK building society. Samuel Montagu hopes the issue will become a benchmark. Because of its size, however, the issue had a bumpy initial ride.

At issue on Tuesday the deal traded at a bid price of 99.90, within 17 basis point fees. Heavy selling, however, led to price falls later although by Friday the bond seemed to have settled down at a bid price of 99.89 against a 100.05 issue price.

Some senior co-managers were apparently unnerved by their £14m commitments, never before seen in the sterling sector. In due course, however, the bond could become valued as a trading instrument for its high liquidity. In the shorter term its fortunes may turn on whether its first coupon fixing on September 19 precedes a cut in UK interest rates.

Samuel Montagu said Abbey National's deal had attracted some unusual investors in the sterling floating rate market such as those who would normally be interested in purchasing sterling commercial paper.

The Swiss market continued to rally last week and prices moved up by about ½ point. The market's continuing resistance to innovative deals was, however, underlined by a rather dubious response to the first stock index-linked bond in the Swiss market.

As with previous issues linked to the Frankfurt and Tokyo stock markets, the issue, which is linked to the Swiss Bank Corporation's stock index, is structured in two bull and bear tranches, one of which offers investors exposure to a range of stocks while the other lets them hedge existing positions against a market decline.

Some dealers said that, given the highly liquid position of Swiss institutions, they foresaw little enthusiasm for the bull tranche. Moreover, the bond provides a play for one year only on Swiss Bank's index.

EUROMARKET TURNOVER
Turnover ($m)

	Straights	Conv	FRN	Other
Primary Market				
US$	1,313.1	122.6	5,209.5	2,673.6
Prev	2,878.0	305.7	4,282.7	2,887.3
Other	884.9	—	224.5	6.6
Prev	1,283.0	—	610.6	152.4
Secondary Market				
US$	23,637.1	1,276.6	13,388.5	7,696.6
Prev	25,518.4	1,281.2	15,870.2	7,544.9
Other	10,502.0	101.4	2,054.0	3,825.2
Prev	10,905.5	158.4	2,028.6	4,240.4

	Cedel	Euroclear	Total
US$	12,967.5	42,351.3	55,318.8
Prev	15,007.7	45,558.7	60,566.4
Other	8,384.7	9,193.9	17,578.6
Prev	9,400.5	9,979.4	19,379.9

Week to August 28 1986 Source: AIBD

Record losses hit Boliden in first half

BY SARA WEBB IN STOCKHOLM

BOLIDEN, the Swedish metals, chemicals and mining group, has reported a record half-year loss after financial items of SKr 664m ($96.2m) against a profit of SKr 144m for the first half of 1985.

The blow was lessened by the profitable operations of Ahlsell, the trading and industrial company of which Boliden increased its holdings to 95 per cent earlier this year. Excluding Ahlsell, Boliden's loss of financial items totalled SKr 685m.

Group turnover reached SKr 5.12bn compared with last year's SKr 3bn without Ahlsell, while manufacturing sales and administration costs totalled SKr 5.47bn.

Boliden has been hit by the falling dollar and low metal prices and many mines are operating at a substantial loss. A further 400 job cuts and several mine closures were announced in August.

Trelleborg, the Swedish rubber products group, bought a 40 per cent stake in Boliden in April, provoking management reshuffles and *the departure of Mr John Dahlfors*, Boliden's group chief executive, and Mr Agnus Schmidt, his deputy.

Mr Kjell Nilsson, the new managing director, said Boliden now had to adjust cost levels to assure its long-term survival.

Excluding Ahlsell, Boliden showed an operating loss of SKr 635m, including provisions and depreciations made in the second quarter worth SKr 476m against an operating profit of SKr 201m in the first half of 1985.

Extraordinary gains amounted to SKr 554m (against SKr 40m) for the first half of last year as Boliden raised SKr 484m by selling shares in Sydkraft, Grytforsen and Rebnis.

At the heart of Boliden's problems are its mining and metal interests. As metal prices have fallen the company maintains it can no longer profitably mine copper, zinc and silver, prices of which in terms of kroner have fallen by 20 per cent, 38 per cent and 28 per cent respectively.

EURONOTES AND CREDITS

GMAC $1bn sales in week put it in top short-term league

BY PETER MONTAGNON IN LONDON

GROSS SALES of Eurocommercial paper by General Motors Acceptance Corporation topped the $1bn level last week. After allowing for a small amount of roll-offs of short-dated paper, outstandings as of Friday afternoon were $989m, GMAC said in Detroit.

Barely two months since it launched its programmes GMAC has leapt into the top league of issuers of short-term paper in the Euromarkets. In the US, it is also the largest single issuer with some $30bn outstanding or 10 per cent of the total market.

The success of its European programme testifies to the way in which the Eurocommercial paper market has become competitive with its larger US counterpart. GMAC watches its cost of borrowing very carefully and would not issue in Europe at rates higher than it would have to pay in the US.

Yet this very policy has detracted from the potential of the GMAC issue as a benchmark for the Eurocommercial paper market itself. Investors in Europe still watch the London interbank bid rate for Eurodollar deposits (Libid) as a reference point in the Eurocommercial paper market, but as this rate fluctuates against US commercial paper rates, so does the rate paid by GMAC for its borrowing.

Mr Rawle Michelson of Morgan Stanley, one of the four dealers in the GMAC paper in Europe, reckons the company has actually sold commercial paper at rates ranging 5 basis points either side of Libid. To remain competitive with the US market, European buyers on Friday would have had to accept a yield of Libid less 7 basis points, a level at which no takers could be found.

The point is not that GMAC's own credit standing has fluctuated wildly but rather that the reference point of Libid, to which its pricing is tied, has become irrelevant.

The experience of GMAC thus serves to reinforce the pressure in the market place for a new benchmark which would help wean investors away from their traditional fixation with Eurodollar rates.

In the case of short-term paper, and even floating rate notes, issued by sovereign borrowers, such a benchmark would not be difficult to find. This paper tends to be bought by central banks and other institutions the natural alternative of which is the US Treasury Bill. For this type of paper a Treasury Bill benchmark is already beginning to look more sensible than a Eurodollar one.

The same is not true of corporate commercial paper, which is rarely bought by central banks although some have dipped into the GMAC issue. Rather, bankers say, a new form of benchmark needs to be found similar to the US composite index for commercial paper.

The newly-formed Euronote Association has come under pressure to develop such an index. It considered the issue at its last meeting and concluded that the creation of *such an index was premature*. But says Mr Kevin Regan of Merrill Lynch and a spokesman for the association: "It's inevitable. It'll force itself on us, probably within the next six months."

Elsewhere Barbados has mandated County NatWest to arrange a $25m transferable loan while Salomon Brothers is arranging a $275m, five-year revolving credit for Bear Stearns. The deal, which is to back up issues of commercial paper in the US market, carries an annual commitment fee of ⅛ per cent and a margin on drawings of ⅜ per cent. National Westminster will be agent.

Mr Brian Woolley, executive director in charge of Euronote and Euroloan syndication in Citicorp, is moving to Zurich to head the bank's Swiss capital market business. He effectively replaces Mr Alan Gillespie, who left recently to join Goldman Sachs. His replacement in London will be Mr Fabian Samengo-Turner.

Petro-Lewis expects annual deficit of $419m

BY WILLIAM HALL IN NEW YORK

PETRO-LEWIS, the troubled Denver energy group which in its heyday was the biggest marketer of oil and gas tax shelters to investors, says it expects to lose $419m in its latest financial year.

The company, which depended on steadily rising oil prices, has also reiterated its warning that it will be forced to file for protection under Chapter 11 of the US bankruptcy code if a complex $750m bid for the company and its affiliate, American Royalty Trust, is blocked. Many investors, who have lost close to $1bn by investing in Petro-Lewis's tax shelters, argue the offer is too low.

Petro-Lewis, which has been hit by the collapse in oil and gas prices, agreed to be taken over last month by an investor group led by Freeport-McMoran, a New Orleans energy group, and a group of investors put together by Kidder, Peabody, the New York investment bank recently acquired by General Electric.

The proposed takeover, which is being financed largely by the issue of junk bonds, includes the purchase of American Royalty Trust, which was formed early last year through a consolidation of all of Petro-Lewis's 45 public limited partnerships which were used as tax shelters by wealthy investors.

Petro-Lewis has a negative net worth and the real attraction in the takeover is American Royalty Trust. Petro-Lewis manages the trust and has a 23 per cent stake.

INTERNATIONAL CAPITAL MARKETS

US MONEY AND CREDIT

Labor Day ends year of ups and downs

LABOR DAY weekend marks the end of the summer in the US and is often used as a convenient time to take stock on Wall Street. Share prices, having risen by a third over the past year, are flirting with new highs and short-term interest rates are threatening to drop below 5 per cent. But the long-term bond market is no higher now than it was in mid-April.

Twelve months ago the credit markets were digesting the news of a sharp drop in the July trade deficit—to $10.5bn—and wondering whether this marked the start of a shrinking US trade gap. The economy seemed to be picking up speed, the dollar appeared to be stabilising at around DM 2.84 and Y240 and the markets were fearful that the Federal Reserve might be poised to tighten credit.

One year later, the US economy is growing far more slowly than expected and the financial markets are confused. The main culprit is the trade deficit which last week reached an all-time monthly high of $18bn. Last month US imports were twice as high as exports for the first time. This is despite a US dollar which has dropped by a third from its February 1985 peak and is now heading down towards the DM 2 and Y150 levels.

US MONEY MARKET RATES (%)

	Last Friday	1 week ago	4 wks ago	—12-month— High	Low
Fed Funds (weekly average)	5.84	6.15	6.34	9.91	5.84
Three-month Treasury bills	5.15	5.38	5.78	7.40	5.15
Six-month Treasury bills	5.16	5.43	5.77	7.48	5.32
Three-month prime CDs	5.46	5.70	6.26	8.10	5.46
30-day Commercial Paper	5.55	5.65	6.25	8.05	5.65
90-day Commercial Paper	5.45	5.60	6.18	8.00	5.45

US BOND PRICES AND YIELDS (%)

	Last Friday	Change on week	Yield	1 week ago	4 wks ago
Seven-year Treasury	102⅞	+ ⅞	6.73	6.88	7.23
20-year Treasury	118⅞	+ 1⅝	7.51	7.66	7.89
30-year Treasury	100⅝	+ 1	7.20	7.28	7.45
New 10-year "A" Financial	N/A	+ 2⅛	8.00	8.38	8.76
New "AA" Long utility	N/A	+ 1¼	9.00	9.13	9.50
New "AA" Long industrial	N/A	+ 2⅝	8.63	8.88	9.25

Money supply: In the week ended August 18 M1 rose by $3.1bn to $688.1bn. Source: Salomon Bros (estimates).

Since the last Labor Day, short-term interest rates have tumbled by 200 basis points, while long-term government bond yields have dropped by over 300 basis points to around 7.2 per cent. Last week US banks endorsed the sharp drop in interest rates by trimming their prime rates by half a point to 7½ per cent—the lowest level in nearly nine years—and General Motors slashed its car financing rates to 2.9 per cent, the lowest level ever.

Meanwhile, the latest $3.1bn jump in M1, the narrower version of the US money supply, underscored its recent extraordinarily rapid growth rate. Salomon Brothers says that M1 is well on its way to a "sixth consecutive month of double-digit growth" helped by an "explosive rise" in current accounts.

Despite the Federal Reserve's aggressive easing of US monetary policy, its economic performance remains limp and many analysts are dubious whether the Federal Reserve's furious pump priming will get the economy moving in the absence of similar moves by America's two main industrial partners — West Germany and Japan. Both reported record trade surpluses last week but decided not to lower their interest rates, much to the annoyance of the US authorities.

US officials are nervously aware that the US economy and the financial markets appear to be reacting less to each discount rate cut. "Even if the Fed does cut its discount rate again, and there is a better-than-even chance that it will, the economy is not likely to move out of its rut," says Mr David Wyss, the chief financial economist at Data Resources.

"The bond market simply does not believe the current degree of looseness can be maintained. Fears that inflation will increase later this year, now that oil prices have firmed, and the expectation that the Fed will have to raise interest rates in response, have kept bond yields from falling in line with short-term interest rates."

He argues that the refusal of the trade deficit to respond to the drop in the dollar is discouraging and will increase the pressure for protection in Congress, as well as for further loosening by the Fed. Dr Henry Kaufman of Salomon Brothers also notes that mounting protectionist pressures, together with the lacklustre growth outlook, will increase US pressure on other countries to adopt stimulative measures.

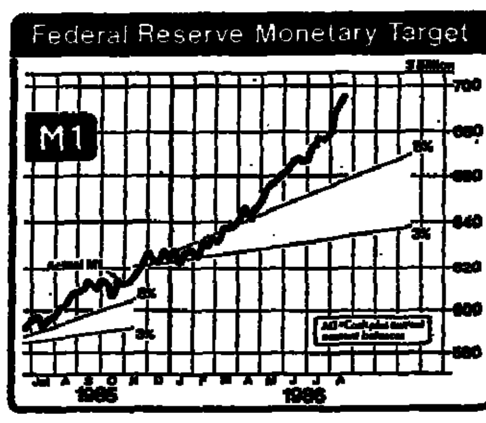
Mr David Jones, of Aubrey G. Lanston, says in his latest market letter that "the hope of US Government policy-makers undoubtedly is that the further decline in the dollar would serve the twin objectives of making US goods more competitive in foreign markets and prodding the so far recalcitrant Japanese and West German governments into easing moves that would stimulate growth in these economies and increase demand for US exports."

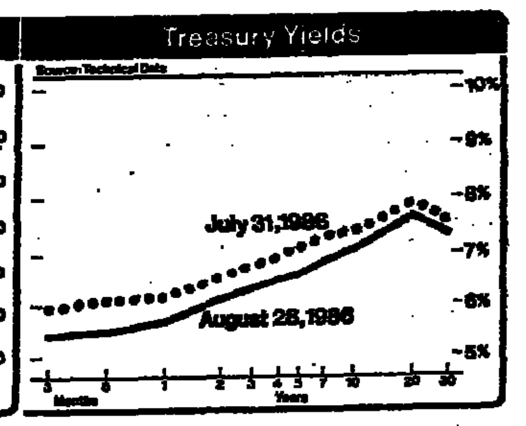
Mr Jones says that a significant decline in the trade deficit is not likely "until late this year, at the earliest, or perhaps not until 1987." In the interim, the US credit markets will be keeping an eye on the signals coming out of Tokyo and Bonn, as well as monitoring the health of industrial America. Last week's bankruptcy filings by Frontier Airlines and Placid Oil, plus the continuing problems of some of America's bigger banks, are evidence that many of the players in the US economy are not well equipped to weather a surprise rise in US interest rates.

The general consensus in the US is that a recession can be avoided but it is expected that the Federal Reserve will continue to be unusually sensitive to signs of weakness in the economy. Next Friday's unemployment figures for August, for example, are expected to reflect the current sluggishness and analysts are talking about another three months of less than one per cent growth with an increase in the fourth quarter as businesses and individuals try to beat the tax reform measures.

Even though US interest rates appear to be heading lower in the near term, nobody is predicting that long term US government bond yields will be another 300 basis points lower by next Labor Day. Indeed, some analysts argue that they could be higher than they are now.

William Hall





UK GILTS

Payments forecasts deserve more attention

HOW LONG will it be before London financial markets start to pay attention to the UK's balance of payments position? Economists at some stockbrokers have found the subject of interest for some time, but the gilts market is not yet in the mood for taking much notice of the publication of trade statistics.

Not that July's figures, published last week, had anything of the drama of the record $18bn deficit recorded in the US or the records chalked up in the opposite direction by West Germany and Japan. The visible trade balance showed some improvement, with the oil surplus virtually unchanged and the non-oil deficit narrowed by virtue of increased exports of finished manufactures.

Finished manufactures have, in fact, performed rather well so far this year. With exports up by 108m in the first half-year compared with the same period of 1985, and imports down by £396m, the UK's trade deficit in finished manufactures has slimmed by nearly 25 per cent.

If the current account surplus dropped to a scant £12m in July, that was merely the result of a change in the Government's guess at invisibles. Harder evidence of the progress on invisibles is due this week when figures for the second quarter are published. It seems unlikely that they will be on track for the £8bn surplus—a 60 per cent improvement on 1985—which the Treasury forecast for 1986 as a whole.

If some of the UK's economic forecasters are correct, however, the gilts market will soon not be able to treat the trade figures with such equanimity as it has been doing. The National Institute of Economic and Social Research last week came out with the projection of a current account deficit of £5.8bn next year, and if that was too dire for most people's tastes, the Confederation of British Industry today forecasts a 1987 deficit of close to £1.7bn.

Clearly, the market has marked some deterioration in the current account into its diary, in recognition of the effect of the oil price collapse on an oil trade surplus that reached £8.2bn last year. On top of the price effect on the oil surplus, however, the National Institute sees a reduction in oil export volume and a faster rise in the volume of non-oil imports than in the volume of non-oil exports.

The numbers coming out of its model appear to have taken the institute itself somewhat aback. It makes very little of the near £6bn deficit forecast in its appraisal of the UK economy, merely cautioning that "it seems reasonably certain that—following six years of substantial surplus on current account when the surplus on oil trade was mounting—the balance of payments will be transformed by the fall in oil prices."

For the CBI, most of the reversal in the current account will be due to oil, with only a slight deterioration in non-oil trade. Still, the CBI's economists see the current account moving into deficit in the second quarter of next year. For 1987 as a whole it forecasts a deficit of £1.665bn, compared with a surplus of £1.714bn this year.

At broker Rowe and Pitman, Mullens, Mr Ian Harwood and Mr Kevin Gardiner agree with the National Institute that the current account will be in deficit as early as this year. They are, however, considerably more optimistic for 1987, predicting a deficit of only around £500m on the premise, not shared by the Institute or the CBI, that oil prices will recover to $18 a barrel in early 1987.

In the gilts market's mood last week it would have taken something considerably more stirring to have done much to prices. Yields at 25 years edged one basis point higher to 9.45 per cent, but eased slightly to 9.59 per cent at 15 years and 9.54 per cent at five years.

George Graham

FT/AIBD INTERNATIONAL BOND SERVICE

US DOLLAR STRAIGHTS	Issued	Price	Chg. on week	Yield
AHFC O/S Fin 11¼ 94	100	104	−0¼	10.91
AIDC 11 89	75	103	+0⅛	7.24
Alcan Australia 8⅞ 89	25	99⅝	−0⅛	8.93
Amer Saving 12 89	125	108½	0	9.18
Amer Saving 12¼ 89	100	107	+0⅛	9.17
[illegible]				
Ontario Hydro 11⅞ 90	200	116	+0⅛	7.09
Ontario 12½ 94	250	124⅞	−1½	8.22
Orient Fin 11 92	50	110⅛	+0⅛	8.40
Pacific Gas & El 12 00	75	116⅛	+1⅞	9.75
Penney J C 11⅞ 90	100	104⅞	−0⅛	10.34
Penney J C 12⅛ 91	100	112⅞	−0⅛	9.44
Postipankki 11½ 90	75	105⅛	0	7.95
Post-Och Kred 13½ 87	50	105⅛	−0⅛	6.24
Privatbanken 12½ 95	100	121⅞	−0⅛	8.71
Prudential Ins 12⅞ 87	150	105⅛	+0⅛	6.32
Pru Rlty Secs 0 89	365	35½	+0⅛	8.73
Pru Rlty Secs 11⅞ 92	388	109⅞	+0⅛	9.48
Pru Rlty Secs 12⅛ 95	545	118⅜	+0⅛	8.84
Quebec Prov 12⅛ 94	150	115⅛	+0½	9.29

	Issued	Price	Chg. on week	Yield
Queensland Gvt 11⅞ 89	100	111⅛	+0⅛	7.23
RBC 11½ 90	100	109⅛	+0½	7.95
Rural Bk Aust 12 91	50	112⅛	+1⅛	8.45
Sanwa Bank 11⅞ 92	150	113⅛	+0⅛	8.53
Sanwa Intl 11½ 92	100	117	+0⅛	7.72
Saskatchewan 10⅛ 92	150	113⅛	−0½	7.60
Saskatchewan 10⅝ 90	125	110⅛	−0½	7.29
[illegible]				

CONVERTIBLE BONDS	Issued	Price	Chg. on week	Prem.
[illegible]				
Ajinomoto 3 99	120	272	−7⅛	−3.41
Ajinomoto 5⅛ 96	40	352	−9⅞	−7.34

	Issued	Price	Chg. on week	Yield
Best Denki 5⅞ 97	75	298½	−19½	−7.56
Canon 7 97	50	258⅛	+3	4.37
Daiwa Secs 5½ 98	80	763	−5½	−7.24
Elektrowatt 5 98	51	153⅛	+0⅛	−4.18
Fuji Bank 2⅛ 2000	100	160⅛	−4⅛	0.49
Fujitsu 3 99	180	1:7	−7⅛	5.52
Intec Inc 3 99	50	245⅛	−10½	−5.06
[illegible]				

BOND WARRANTS	Expiry date	Price	Chg. on week	Ex. yield
Aegon Ins 11½ 91	15/2/86	110	−5	8.29
Coca Cola 11⅛ 91	28/11/88	133	−0⅛	8.14
Dai-Ichi K 6½ 96 B	1/1/96	14½	0	6.28
Du Point 13⅛ 89	25/8/88	126	0	8.31
Eksportfinas 13⅛ 89	15/9/87	142⅞	−2	7.80
Holland Air 11½ 91	10/8/88	52	−0⅛	9.57
Ind Bk Jpn 12⅞ 91	6/10/89	166	−5	8.70
Mitsbishi Fn 12⅞ 91	8/11/89	170	−1	8.43
J P Morgan 11½ 90	16/8/87	52	−5⅛	7.95
Texaco Cap 12⅞ 92	1/9/87	80	−2½	11.67
Wlls Frgo A 12⅛ 91	27/12/89	165	0	8.61
Weyerhar C 11½ 90	15/11/87	94⅞	−3⅛	8.24

STRAIGHT BONDS: Yield to redemption of the mid-price. Amount issued is expressed in millions of currency units except for yen bonds, where it is in billions.
FLOATING RATE NOTES: US dollars unless indicated. Margin above six-month offered rate (‡ three-month; § above mean rate) for US dollars. C.cpn=current coupon.
CONVERTIBLE BONDS: US dollars unless indicated. Prem=percentage premium of the current effective price of buying shares via the bond over the most recent share price.
WARRANTS: Equity warrant prem=exercise premium over current share price. Bond warrant ex yld=exercise yield at current warrant price.

Closing prices on August 29.

INTERNATIONAL CAPITAL MARKETS AND COMPANIES

CORPORATE FINANCE

'Macho' building societies turn to bonds

"MACHISMO" was the word used by the finance chief of one big building society to describe the zeal with which the British savings and loans institutions have ventured into the Euromarkets in the past year.

Last week saw Abbey National Building Society, the UK's second largest, make a £500m Eurobond issue — the biggest ever. It was on terms Mr Clive James, its treasurer, calls "aggressive," at 0.08 percentage points above the London interbank offered rate.

One London banker who has co-managed building societies' issues had another term for their activities. "It's a bit sad," he said. Societies, he went on, have suddenly discovered that wholesale funding is cheaper than taking retail deposits—and, over-enthusiastically, sought to issue Eurosecurities on terms that are *too tight*.

This year may well see more big issues. Until the Building Societies Act comes into force on January 1, there will be no legal limit on the proportion of a society's funds that can come from wholesale market.

The Act will set a 20 per cent ceiling (which can be increased to 40 per cent by statutory instrument). At present, the Chief Registrar of Friendly Societies asks any society planning to raise more than 5 per cent from wholesale sources to talk to him first.

With the industry's total wholesale funding only 7.1 per cent of assets, the guidelines leave room for aggressive expansion. Mr Derek Taylor, finance general manager at the Halifax Building Society, the UK's largest, said its wholesale funding was "still very small—but growing." It plans another syndicated loan, and probably a Eurobond issue, this year.

A further, though informal, Chief Registrar's guideline says that societies seeking Euromarket funding must have assets of more than $2bn. That allowed only the top 12 societies into the Euromarkets as of December 31, 1985. All but one—the Cheltenham and Gloucester—have now issued Eurobonds, totalling £3.1bn by June of this year.

However, the speed of their asset growth in the UK's home loans boom might now allow in five more societies with assets last year in the £1bn-£1.5bn range. The Birmingham Midshires, for one, is actively considering it.

It is probably wrong to see such forays into the Euromarkets as a simple response to the industry's poor performance this spring and summer in the retail savings market. June was a "disaster" for receipts, according to the Halifax's Mr Taylor—at a time when societies have promised a record £4bn a month in new mortgage lending.

Mr Clive James of the Abbey National says plans for last week's issue were laid six weeks in advance, forming part of a detailed funding strategy for the year as a whole.

The point is that building societies still take more than 90 per cent of their funding from retail sources. They are canny enough to use wholesale funding as a shield against volatility in the mortgage and savings market.

That volatility is rooted in intensified competition for personal savings. Banks, with their high-interest accounts, have already pushed building societies into raising their savers' rates to punishing levels. Sales of unit trusts have also reached record levels this summer.

A competitive market has eradicated the old differentials between the cost of different types of home loan, so that building societies can no longer offset premium rate savers' accounts against high-interest mortgages.

Planning for problems like these lay behind the National and Provincial's recent and innovative £100m five-year advances facility. Mr Terry Carroll, its finance director, said: "Our cashflow this year has been very good. But we were being prudent and thinking that the autumn might see a big rise in mortgage completions."

London stock market flotations of British Gas and the TSB Group might also consume savers' funds, he added. An advances facility appealed because, says Mr Carroll, the floating rate Eurobond market had seen some improvements, though more were still to come.

Not every building society venture into wholesale funding has been so carefully timed. Leeds Permanent, for instance, suffered when it issued a fixed rate note just as the Conservative Party was hit hard during this spring's local council elections, a result that caused a hiccough in the gilts market.

In turn, some of the cautious response to Abbey National's issue last week may have come from investors' disappointment with the July £300m floating rate note issue by the Alliance and Leicester building society. It has gained a reputation for very tight pricing—and, some observers feel, risked souring investors' sentiment.

Nick Bunker

Bank group in HK tunnel loan mandate

A GROUP of 10 banks, including the Bank of China and the Hongkong and Shanghai Banking Corporation, has been mandated to raise HK$2.7bn (US$346m) to finance Hong Kong's second cross-harbour tunnel, according to Shearson Lehman Brothers, the project's financial adviser, Reuter reports.

The financing consists of a HK$1.8bn, 15-year credit for a road section of the tunnel and a HK$900m, 18-year credit for a rail link.

The credits will be at ¾ point over the three- or six-month Hong Kong interbank offered rate (Hibor) for the first 3½ years while the tunnel is under construction.

The margin will rise to 1½ points on completion of the project.

The borrower for the road portion is the New Hong Kong Tunnel Company, comprising Kumagai Gumi of Japan, China Internatonal Trust and Investment Corp., Paul Y. Construction Co., FJC Lilley of Britain, and Marubeni Corp. of Japan.

The borrower for the rail portion is Eastern Harbour Crossing Company.

Gold mine for Newfoundland

BY KENNETH MARSTON, MINING EDITOR

THE FIRST gold mine in Newfoundland is to be brought to production in August next year by the British Petroleum group's BP Canada. Called Hope Brook, it is expected to become the sixth largest gold mine in Canada and will cost a total C$143.9m (US$103m or £69.6m). The Newfoundland government is providing a grant of C$6m and a loan of C$4m, while the federal government is providing C$14m.

Hope Brook, in the Chetwynd area of south-western Newfoundland, will start life as an open-pit operation. Gold will be extracted by heap leaching and some 762,200 tonnes of ore are to be treated for the production of an estimated 75,420 oz gold.

The second phase of development involves an underground mine which is due to reach full production in late-1988. Gold output, using conventional ore milling, is expected to total 1.16m oz over the life of the mine, averaging 126,000 oz a year.

Hope Brook Gold made an offer on August 15 of 7.3m units at a price of C$5.50 per unit. The latter comprise one share and one gold purchase warrant; 50 warrants entitle the holder to purchase one ounce of gold from the company for US$425 between January 1 1990 and July 31 1991.

BP Canada provided the gold properties to Hope Brook Gold in return for 13.48m of the latter's shares. BP Canada is to subscribe for a further 9.2m shares at C$5.50, as and when the newcomer requires funds, lifting BP Canada's holding to 75.7 per cent.

Alusuisse sells US car parts offshoot

BY JOHN WICKS IN ZURICH

ALUSUISSE, the Zurich-based aluminium and industrial group, has agreed to sell Maremont, its Chicago automotive parts subsidiary, to Arvin Industries, another large motor components group.

The transaction, which is subject to US Government approval, is expected to become effective within 60 days. No price has as yet been disclosed for the sale, which resulted from a tender auction organised by First Boston, the New York securities house.

Maremont has been owned by Alusuisse of America, the US holding subsidiary of Swiss Aluminium, since 1979. With a production programme centred on shock absorbers and exhaust systems, it has annual turnover of some $500m and employs about 5,000.

Arvin Industries, another leading automotive supplier in the US, has sales of $820m per year and a payroll of 11,000 employees.

The Swiss group had already stated its intention to divest Maremont, whose turnover had dropped by 6 per cent last year. As part of a restructuring programme Alusuisse is concentrating its efforts on the core product groups — aluminium and chemicals.

Amcor and NZ Forest Products in joint venture

By Dai Hayward in Wellington

NEW ZEALAND Forest Products and Amcor, the Australian timber group, have announced a joint venture to build an $NZ88m (US$43m) plant in Australia to produce medium density fibre board, a panelling material made from reconstituted wood fibre mixed with resin.

The new plant, which will be large enough to supply the entire current needs of the Australian market, is due to begin operations in September 1988. It will have an initial capacity of 123,000 cubic metres a year, rising to 200,000 cubic metres.

NZFP and Amcor have an existing joint venture to construct a corrugated box plant in Hong Kong worth about HK$45m (US$5.7m).

Last week Mr Lyn Papps, the NZFP chairman, told the annual meeting that sales and profits for the first four months would fall below last year's levels, largely because of the strength of the New Zealand dollar against the Australian currency during the period. Full-year profits to March showed a dip to NZ$106.3m from NZ$121.4m, as previously reported.

NEW INTERNATIONAL BOND ISSUES

Borrowers	Amount m.	Maturity	Av. life years	Coupon %	Price	Book Runner	Offer yield %
U.S. DOLLARS							
Fujita Corp. ¶‡	70	1991	5	3⅛	100	Nomura Int.	3.125
Yamaha Motor ¶‡	100	1991	5	3⅛	100	Nomura Int.	3.125
Asics Corp. ¶‡	50	1991	5	3⅛	100	Yamaichi Int. (Eur)	3.125
Sakai Chemical ¶‡	35	1991	5	3⅛	100	Nikko Secs. (Europe)	3.125
O. P. Corp. ¶‡	50	1991	5	2⅞	100	Daiwa Europe	2.875
O. P. Corp. ¶‡	20	1991	5	2⅞	100	Nikko Secs. (Europe)	2.875
Gte Finance ‡	150	1991	5	7¼	101	UBS (Secs)	7.006
Mortgage Bk Denmark ‡	150	1993	7	9¾	115⅛	LTCB Int.	7.104
City Fed. Savings Bk (b)†‡	100	1993	7	5bp	100	Shearson Lehman Bros.	–
Privatbanken †‡	100	1991	5	(e)	100	Shearson Lehman Bros.	–
Christiania Bank †‡	100	1989	3	(f)	100¼	Daiwa, Mitsubishi Trust	–
Nippondenso ¶	100	1991	5	(3⅛)	100	Nomura Int.	*
Kansai Paint ¶	40	1991	5	(3⅛)	100	Nomura Int.	*
Nippon Zeon ¶	60	1991	5	(3⅛)	100	Yamaichi Int. (Eur)	*
Hessische Landesbk ‡	100	1996	10	8	101¼	Morgan Guaranty	7.815
Massachusetts Mutual ‡	100	1993	7	7½	100½	Morgan Stanley	7.406
BNP (j)†‡	500	Perp.	–	7½bp	100	BNP	–
Ireland †‡	500	1998	12	(k)	100.2	Morgan Guaranty	–
Banque Indosuez ‡	200	1993	7	10½	115	Daiwa Europe	7.311
Joshin Denki ¶	80	1991	5	(3⅛)	100	Nomura Int.	*
CANADIAN DOLLARS							
First Austrian Bank ‡	75	1991	5	9⅝	101½	CIBC Ltd.	9.237
TD Mortgage Corp. ‡	100	1991	5	9⅝	100¾	Toronto Dominion Int.	9.430
D-MARKS							
Intercontin'al Rubber ɸ ¶‡	150	1996	10	5½	150	Deutsche Bank	–
BHW Finance ‡	150	1996	10	6⅛	99¼	Dresdner Bank	6.228
Prov. of Manitoba ‡	300	1996	10	5⅞	99½	WestLB	5.943
Lufthansa Int. ‡	500	1996	10	6	100	Deutsche Bank	6.000
Inco Ltd. ‡	75	1991	5	6½	100½	Commerzbank	6.380
SWISS FRANCS							
Nippon Thompson **¶‡	60	1991	–	¾	100	Banca del Gottardo	0.750
Chase Corp. Fin. ¶‡	150 min.	1993	–	5	100	Soditic	5.000
Sanken Electric **¶‡	80	1991	–	¾	100	Credit Suisse	0.750
Tokyo Electric Pwr **‡	200	1991	–	4¾	99½	Credit Suisse	4.865
Fujita Corp. **¶‡	100	1991	–	¾	100	Credit Suisse	0.750
Rohm Co. **§‡	100	1991	–	⅞	100	UBS	0.877
Rohm Co. **¶‡	100	1993	–	1⅛	100	UBS	1.125
Pegasus Gold Corp. (a)§	60	1996	–	5¾	100	Bqe Gutzwiller, K. B.	5.750
NZI Finance O'seas ¶‡	150	1996	–	4	100	UBS	4.000
Seagram Co.	200	2005	–	(6)	(100)	SBC	*
Saibu Credit Co. **§	100	1992	–	(1)	*	Credit Suisse	*
Shin Kobe Elec. Mch. **‡	30	1991	–	5	100	Bank Leu	5.000
Kanda Tsushin Kogyo **§	25	1991	–	(1)	*	Swiss Volksbank	*
Philips **‡	200	1991	–	(g)	(g)	UBS	–
Shimizu C'struction **‡	150	1993	–	5	100	UBS	5.000
XR Capital Holding (m)§	100	2001	–	(5⅝)	100	Bqe Gutzwiller, K.B.	*
Belgium **‡	100	1993	–	4⅞	99¾	Credit Suisse	4.918
Chubu Elec. Power	150	2001	–	(5¼)	*	UBS	*
STERLING							
Abbey National (c)†‡	500	1991	5	8bp	100.05	Samuel Montagu	–
FRENCH FRANCS							
Copenhagen T'phone (d)‡	500	1991	5	8	100⅛	CCF	7.937
LUXEMBOURG FRANCS							
Christiania Bank **‡	300	1992	6	7⅜	100	Kredietbank Int.	7.376
Skand. Enskilda Bk **‡	300	1991	5	7¼	99¾	BGL	7.311
Electrolux ‡	1bn	1993	7	7	100½	BGL	6.908
GUILDERS							
ICN P'maceuticals §	75	1994	6	6	100	Van Haften and Co.	6.000
ECUs							
Merrill Lynch ‡	75	1990	4⅛	7	100⅝	Banque Paribas	6.779
DANISH KRONER							
A/S Nevi (h)†‡	500	1993	7	⅛	100	Kansallis-Osake-Pankki	–
YEN							
GMAC ‡	50bn	1991	5	5¾	101½	Nomura Int.	5.028
Austria ‡	40bn	1996	10	5⅝	101½	Daiwa Europe	5.427
Austria ‡	20bn	2001	15	5⅞	101¾	Daiwa Europe	5.698
SBC Finance ¶	20bn	1993	7	(2)	100	SBCI	*
EDF ‡	20bn	1996	10	5⅝	101½	Yamaichi Int. (Eur)	5.427

* Not yet priced. ‡ Final terms. ** Private placement. § Convertible. † Floating rate notes. ¶ With equity warrants. ɸ With bond warrants. ‖ Currency linked. (a) Convertible into gold or stock. (b) 5bp over 3m Libor. (c) 8bp over 3m Libor. (d) Extendible to 2001 with coupon refixed every 5 yrs. (e) Equal to 6m Libor. (f) 6m Libor minus 6⅝% first year, then 6m Libor + 3⅛% years 2 and 3. (g) Bull-bear issue, linked to SBC stock index, coupon 1⅞ first year, 4⅝ last 4 years. Bull issue price 100¼, bear issue price bar. (h) ⅛ over 3m Libor. (j) 7½bp over 6m Libor. (k) Equal to 6m Libid. (m) Double convertible. Note: Yields are calculated on AIBD basis.

UK COMPANY NEWS

Laura Ashley expands West Germany operations

BY ALICE RAWSTHORN

Laura Ashley, the fashion and design group, has strengthened its presence in West Germany by acquiring a chain of seven shops from another British retail group, which is thought to be Jaeger, a subsidiary of the textile group, Coats Viyella.

As soon as the acquisition—which is a cash transaction for an undisclosed sum—is completed, work will begin on converting the shops. According to Mr Alphonse Schouten, managing director of Laura Ashley's continental operations, four of the units should be ready to open by the end of the current year, the rest will open in 1987.

"We had planned to expand rapidly in West Germany over the next two years," said Mr Schouten. "This acquisition has enabled us to expand at a faster pace."

The new shops will increase Laura Ashley's presence in West Germany to 16 shops and one shop-in-shop. Mr Schouten expects turnover to increase by 40 to 45 per cent as a result.

Laura Ashley intends to embark upon an active expansion programme in continental Europe over the next two years. Before the acquisition it had a chain of 49 shops, including 12 shops-in-shops, operating in seven countries and all supplied by a central manufacturing base in Holland.

West Germany and France have been identified as the key areas for expansion followed by Spain and Italy.

The continental Europe division contributed 5 per cent of operating profits and 13 per cent of turnover in the last financial year, to January 25. At the pre-tax level it produced a loss although Laura Ashley expects the division to break even in the current financial year.

LDH profits advance by 86%

LDH Group, a distributor of furnishing and upholstery fabrics, yesterday reported an 86 per cent increase in full year profits, largely reflecting continuing progress at its main trading subsidiary S. Ross & Co.

Group taxable profits advanced from £236,919 to £440,436 on sales ahead by 23 per cent from £5.82m to £7.12m. "Sales for the current year are going very well and show a healthy increase," said Mr M. S. Ross, the chairman.

He said that S. Ross—trading as Ross Fabrics—performed very well under the "now every day difficulties of general trading. Despite the ever-present pressure on margins, they are continually expanding and adjusting their range to meet present day demands, and also expanding into new geographical areas in the UK."

LDH, formerly known as Lowland Drapery Holdings, accompanied the results with a recommended 57 per cent lift in the dividend to 0.55p, against 0.35p. Earnings per share rose by 1.82p to 3.84p.

West Yorkshire Weavers, which LDH acquired earlier in the year, only contributed part of its profits to the accounts for the year to end-May 1986, but "I feel sure its future contribution to the group will be of growing importance," said Mr Ross.

Generally, he said that LDH's balance sheet continued to strengthen and cash balances showed a healthy surplus. "We wish to use some or all of this surplus for suitable acquisitions, and we are actively engaged in looking at various propositions," he added.

Better second half at Zygal

A BETTER second half for Zygal Dynamics allowed it to make up the increased losses seen in the first six months to end the year with pre-tax losses almost unchanged at £232,000 against £230,000. Directors said the improvement had continued into the present year and that they expected to be able to report interim profits.

Turnover fell by 42 per cent in the year to March 31 1986 from £6.88m to £4.01m for this supplier of computer-related equipment and earnings per 5p share were down at 2.8p (3.5p). The directors are recommending a return to the dividend lists with a final payment of 0.5p after missing last year's payments. The shares are traded on the USM.

Problems were experienced throughout the year in the retail personal computer market and the company decided to withdraw in the autumn. That led to the closure of Zygal Computer Terminals.

Despite a fall in turnover of continued activities of 20 per cent pre-tax losses were reduced. Directors said that the pre-tax figure included £134,000 relating to discontinued operations.

The printer business returned to profits during the year continuing its move towards higher value products. Turnover by Modular Technology increased slightly but overheads were cut by 23 per cent, the directors said.

Lloyds' Fed move to buy up to 29.9% of Standard

Lloyds Bank has admitted that it has applied to the US Federal Reserve Board for permission to buy up to 29.9 per cent of the equity of Standard Chartered — the banking group which Lloyds recently failed to acquire in a £1.3bn takeover battle.

However, Lloyds Bank emphasised that this was purely a formality to give it flexibility and to keep its options open in any developments concerning Standard Chartered. It did not imply that another bid was on the way as soon as the 12 months' grace was over.

The application was made just over a week ago and a reply from the Fed, which regulates the US banking system, is expected this week. Its approval is needed because Lloyds still owns the Lloyds Bank of California while Standard Chartered owns Union Bank, also based in California.

Lloyds has been negotiating the sale of Lloyds Bank of California with Golden State Sanwa Bank, a member of the Japanese banking group Sanwa Bank in a reputed £180m deal. An announcement of the finalisation of the sale is expected early this week.

When this happens, Lloyds Bank will no longer be a bank holding company under the Fed's rules. It will then be able to buy up to 25 per cent of a US bank with no prior authority.

Lloyds Bank is unable to make a full bid for Standard Chartered until July of next year, unless a new bid has the agreement of Standard's board or a third party comes in with another bid. It is known that the rescuers of Standard Chartered — Sir Y. K. Pao, Tan Sri Khoo Puat and Robert Holmes à Court have their own views concerning the future of the banking group.

Lloyds Bank wants to be prepared to react quickly to any development that may arise.

Edinburgh Oil & Gas falls in red at midterm

Edinburgh Oil & Gas, yesterday announced pre-tax losses of £118,000 for the six months ended June 1986, compared with a profit of £177,000. In the second half of 1985 losses of £328,000 were incurred.

Turnover for this USM-quoted oil and gas explorer and producer, fell from £362,000 to £300,000, although the company placed a further six wells on production in the US during the period.

Production volumes averaged 42 barrels of oil and 556 mcf of gas per day in the six months compared with 27 and 612 respectively for the whole of 1985. Turnover was affected, however, by significantly lower oil and gas prices.

This, together with the adverse move in the sterling/dollar exchange rate, led to an operating loss of £124,000 (£82,000 profit).

Attributable losses worked through at £118,000 (£173,000 profit)

Refuge increases dividend

Refuge Group, the Manchester-based home-service life assurance company, yesterday reported first half gains for life business, general business and unit trusts.

The company, which does not provide earnings figures at the six months stage, also declared a higher interim dividend of 5p, against 4.5p last time.

New life assurance premiums for the group as a whole showed a very satisfactory increase, said Refuge, with new annual premiums up by 9.3 per cent and single premiums by 67 per cent.

Total life premium income, including single premiums, was £67.76m, 16 per cent ahead of the 1985 figure of £58.1m.

Industrial branch new premiums were also buoyant, showing a 14.4 per cent increase to £7.81m.

Within the ordinary branch, because of the exceptional boost to personal pensions which occurred before the 1985 budget, new regular premiums at £2.49m did not reach last year's £2.8m. However, unit linked products again had a successful half year, with both annual and single premium business sharing in the growth.

Theer was increased activity in general insurance with total premium income up by 18¼ per cent.

The three unit trust managed by Marlborough Court Fund Managers continues to expand and now have a total market value of some £57m, said Refuge.

Northern Eng. in S. Africa sale

Northern Engineering Industries is selling 43.7 per cent of NEI Africa Holdings (NEIAH), its South African holding company for an undisclosed cash sum.

Directors of Northern Engineering said that its technology arrangements with its South African offshoots would remain undisturbed.

Samuel Heath

Samuel Heath & Sons, the Birmingham-based giftware and hardware manufacturer, increased full year profits from £325,000 to £507,000 pre-tax on turnover ahead from £4.88m to £5.58m.

The directors recommended a higher dividend of 30p, against 23p, and a one-for one scrip issue. Earnings per share were 98.5p (65.6p).

F.T. Share Information

The following securities have been added to the Share Information Services:

Cametech (Section: Industrials), Fletcher Dennys Systems (Electricals), Hughes Food (Industrials), Paul Michael Leisurewear (Drapery and Stores), St David's Inv Trust (Inc and Cap) (Trusts), Shield Group (Property), Task Force (Industrials), Windsmoor (Drapery and Stores).

PENDING DIVIDENDS

Dates when some of the more important company dividend statements may be expected in the next few weeks are given in the following table. The dates shown are those of last year's announcements except where the forthcoming board meetings (indicated thus*) have been officially notified. Dividends to be declared will not necessarily be at the amounts in the column headed "Announcement last year."

	Date	Announcement last year
Amstrad	Oct 2	Final 0.818
*Assoc British Ports	Sept 10	Interim 1.9
*BAT Industs	Sept 10	Interim 4.75
*BICC	Sept 10	Interim 3.5
BTR	Sept 11	Interim 3.75
*Babcock Intl.	Sept 4	Interim 4.0
Bank of Scotland	Sept 25	Interim 5.5
Barratt Develpmts	Sept 24	Final 5.31
Bilton (P.)	Oct 4	Interim 4.0
*Booker	Sept 9	Interim 4.25
Bowater	Sept 11	Interim 3.75
*Brent Chems.	Sept 24	Interim 0.85
British Vita	Sept 9	Interim 3.3
*Brixton Estate	Sept 16	Interim 2.3
Brown Boveri	Sept 19	Interim 1.0
*Bunzl	Sept 4	Interim 4.25
Burmah Oil	Sept 12	Interim 4.6
*Cadbury Schweppes	Sept 4	Interim 1.6
*Cement Roadstone	Sept 3	Interim 1.15
Coats Patons	Sept 17	Interim 1.9
Combined Eng Stores	Sept 23	Interim 2.45
*Cons Gold Fields	Sept 16	Final 16.0
Cookson	Sept 5	Interim 2.4
Costain	Sept 11	Interim 6.0
*Croda Intl	Sept 16	Interim 3.0
DRG	Sept 24	Interim 3.3
Dalgety	Sept 16	Final 14.0
Delta	Sept 13	Interim 2.35
Enterprise Oil	Sept 16	Interim 3.5
*EuroFerries	Sept 11	Interim 1.1
Expamet Intl.	Sept 10	Interim 2.35
*Exco Intl	Sept 2	Interim 1.6
Fisons	Sept 17	Interim 2.16
Fosaco Minsep	Sept 27	Interim 2.86
Freemans	Sept 23	Interim 2.3
*Hepworth Ceramic	Sept 11	Interim 2.9
Hillsdown	Sept 4	Interim 1.2
*IMI	Sept 2	Interim 2.2
*Inchcape	Sept 29	Interim 7.15
Lasmo	Sept 3	Interim 4.5
*Laing (J.)	Sept 11	Interim 2.0
Laird	Sept 8	Interim 2.4
Laporte	Sept 19	Interim 3.2
Legal and General	Sept 18	Interim 8.5
*Lond Merchant Securities	Sept 9	Final 1.5
*Low and Bonar	Sept 8	Interim 3.8
MAT	Sept 26	Final 12
*McAlpine (A.)	Sept 9	Interim 3.0
*Menzies (J.)	Sept 29	Interim 1.36
*Metal Closures	Sept 3	Interim 2.2
Minet	Oct 2	Interim due
Morgan Crucible	Sept 12	Interim 2.6
*Pearson	Sept 9	Interim 4.25
*P & O	Sept 3	Interim 8.0
*Prudential	Sept 10	Interim 8.0
RMC	Sept 26	Interim 4.6
*Ransomes Sims	Sept 15	Interim 1.5
Reckitt and Colman	Sept 11	Interim 6.0
Rio Tinto-Zinc	Sept 25	Interim 7
Rowntree Mackintosh	Sept 19	Interim 4.0
Rugby Port Cement	Sept 30	Interim 2.9
*Sime Darby	Sept 2	Final 8.8 sen
*Simon Eng	Sept 15	Interim 2.5
Steetley	Sept 24	Interim 5
*Stewart Wrightson	Sept 16	Interim 6.3
*Sun Alliance	Sept 3	Interim 5.75
*Tarmac	Sept 22	Interim 2.2
Travis and Arnold	Sept 17	Interim 1.95
Turner and Newall	Sept 12	Interim 1.35
*Utd Biscuits	Sept 17	Interim 2.85
*United Newspapers	Sept 25	Interim due
Vickers	Sept 26	Interim 5
*Wates City of Lond Props	Sept 3	Interim due
*Williams Holdings	Sept 1	Interim due
*Willis Faber	Sept 9	Interim 5.0
*Wimpey (G.)	Sept 25	Interim 0.85
Woolworth	Sept 18	Interim 3.0

*Board meeting intimated. † Rights issue since made. ‡ Tax free. § Scrip issue since made. ¶ Forecast.

SHARE STAKES

Changes in company share stakes announced over the past week include:

Olives Paper Mill — Melton Medes hold 890,000 ordinary (12.14 per cent).

C. H. Bailey—International Securities AG has acquired 3,800,000 ordinary (6.9 per cent of relevant share capital and 0.68 per cent of voting rights).

Kwik Save Group—W. Postelthwaite, director, acquired 80,000 ordinary and now holds 127,520.

Southampton and Isle of Wight & Mail—Shires Investments now holds 175,250 ordinary in the company (5.163 per cent). The holding is held in the name of Consolidated Nominees and the sole beneficial owner of this company is Shires.

AGB Research — Director J. A. Napier acquired 25,000 shares on August 18.

Associated British Foods — Director T. H. M. Shaw has sold a total of 44,000 ordinary shares.

Sheraton Securities International—Director H. D. Clarke disposed of 100,000 ordinary shares at 46p and 50,000 at 46½p on August 22, and 100,000 at 46½p on August 26. He is now interested in 12,113,597 ordinary shares.

BOARD MEETINGS

TODAY

Interims: Abbey Panels Investments, Acorn Computer, Church, A. Jones, Macfarlane (Clansman), Williams Holdings.

Finals: Clogau Gold Mines, Flogas, Thermal.

FUTURE DATES

Interims—

A.P.V.	Sept 10
Aurora	Sept 16
Bosse Massimi Pollitt	Sept 11
Brent Chemicals International	Sept 24
Combined Leasing Finance	Sept 3
Early's of Witney	Sept 29
Fisher (James)	Sept 3
Highcroft Invest. Trust	Sept 25
Huntleigh Technology	Sept 12
Lyle Shipping	Sept 12
Portals	Sept 4
Sound Diffusion	Sept 3

Finals—

Douglas (Robert M.)	Sept 11
Intereurope Technology Services	Sept 9
London and Provincial Shop Centres	Oct 21
London Merchant Securities	Sept 9

BASE LENDING RATES

	%
ABN Bank	10
Allied Arab Bank Ltd	10
Allied Dunbar & Co	10
Allied Irish Bank	10
American Express Bk.	10
Amro Bank	10
Henry Ansbacher	10
Associates Cap Corp	10
Banco de Bilbao	10
Bank Hapoalim	10
Bank Leumi (UK)	10
Bank Credit & Comm	10
Bank of Cyprus	10
Bank of Ireland	10
Bank of India	10
Bank of Scotland	10
Banque Belge Ltd	10
Barclays Bank	10
Benchmark Trust Ltd	10
Beneficial Trust Ltd	11
Berliner Bank AG	10
Brit. Bk. of Mid. East	10
● Brown Shipley	10
CL Bank Nederland	10
Canada Permanent	10
Cayzer Ltd	10
Cedar Holdings	11
● Charterhouse Bank	10
Citibank NA	10
Citibank Savings	¶10¾
City Merchants Bank	10
Clydesdale Bank	10
Comm. Bk. N. East	10
Consolidated Credits	10
Continental Trust Ltd	10
Co-operative Bank	*10
The Cyprus Popular Bk	10
Duncan Lawrie	10
E. T. Trust	11
Equatorial Tst Corp. plc	10
Exeter Trust Ltd	10½
Financial & Gen. Sec	10
First Nat. Fin. Corp	11
First Nat. Sec. Ltd	11
● Robert Fleming & Co	10
Robert Fraser & Ptrs	11
Grindlays Bank	‡10
● Guinness Mahon	10
● Hambros Bank	10
Heritable & Gen. Trust	10
● Hill Samuel	§10
C. Hoare & Co	10
Hongkong & Shanghai	10
Knowsley & Co. Ltd	10½
Lloyds Bank	10
Mase Westpac Ltd	10
Meghraj & Sons Ltd	10
Midland Bank	10
● Morgan Grenfell	10
Mount Credit Corp. Ltd	10
National Bk. of Kuwait	10
National Girobank	10
National Westminster	10
Northern Bank Ltd	10
Norwich Gen. Trust	10
PK Finans. Intl (UK)	10½
Provincial Trust Ltd	11
R. Raphael & Sons	10
Roxburghe Guarantee	11
Royal Bank of Scotland	10
Royal Trust Co. Canada	10
Standard Chartered	10
Trustee Savings Bank	10
UDT Mortgage Express	¶10.9
United Bank of Kuwait	10
United Mizrahi Bank	10
Westpac Banking Corp	10
Whiteaway Laidlaw	10½
Yorkshire Bank	10

● Members of the Accepting Houses Committee. * 7-day deposits 5.69%. 1-month 6.03%. Top Tier—£2,500+ at 3 months' notice 9.72%. At call when £10,000+ remains deposited. ‡ Call deposits £1,000 and over 6¼% gross. ¶ Mortgage base rate. § Demand deposit 5.82%. Mortgage 11%.

FINANCIAL TIMES STOCK INDICES

	August 29	August 28	August 27	August 26	August 22	August 21	1986 High	1986 Low	Since Compilation High	Since Compilation Low
Government Secs.	89.64	89.62	89.66	89.74	89.54	89.85	94.51	80.39	127.4	49.18
Fixed Interest	95.62	95.62	95.67	95.48	95.72	95.81	97.68	86.55	150.4	50.53
Ordinary	1311.9	1286.4	1280.5	1276.6	1271.2	1267.1	1425.9	1094.3	1425.9	49.4
Gold Mines	249.4	245.1	244.9	246.0	235.9	226.9	357.0	185.7	734.7	43.5
FT-Act All Share	817.06	807.93	803.57	798.38	794.23	794.89	832.39	664.42	832.39	61.92
FT-SE 100	1661.2	1636.8	1629.8	1616.2	1607.1	1606.8	1717.6	1370.1	1717.6	986.9

LONDON RECENT ISSUES

EQUITIES

Issue Price	Amount Paid up	Latest Renunc. Date	1986 High	1986 Low	Stock	Closing Price	+ or –	Net Div.	Times Cov'd	Gross Yield	P.E. Ratio
160	F.P.	5/9	180	165	Acatos & Hutcheson50p	180	+1	bd5.25	2.9	4.1	12.0
§115	F.P.	22/8	164	128	‡Anglia Sec Homes10p	164	+1	R1.63	5.0	1.4	20.2
§115	F.P.	22/8	125	118	‡Atlas Conv'lingEqu5p	123	+2	R4.9	2.3	5.6	11.1
§67	F.P.	8/8	71	68	‡BBB Design Grp 5p	68	–2	L1.0	4.2	2.1	16.3
‡‡	F.P.	—	338	280	BTR Nylex A$0.50	300	......	Q15c	2.7	2.1	17.7
‡‡	F.P.	—	53	41	Bertrams Inv. Tst	45	+1	—	—	—	—
100	F.P.	4/9	85	84	Child Med C.IT£1‡‡	85	......	—	—	—	—
¶¶	F.P.	—	100	48	Clayform Warrants	50	......	—	—	—	—
§110	F.P.	12/9	124	111	‡Collins Int 5p	121	......	R2.7	3.4	3.1	13.3
134	F.P.	—	160	134	‡F & H Group 10p	160	......	L4.76	2.5	4.2	13.2
230	F.P.	—	210	191	G. T. Management 1p	207	–3	R3.0	3.4	2.0	17.4
150	F.P.	25/7	168	150	Guthrie Corp	168	......	g5.3	2.2	4.4	10.8
150	F.P.	15/8	165	156	Harrison Inds. 10p	163	+1	g5.0	2.7	4.3	12.2
§92	F.P.	28/8	95	87	‡Hille Ergonom 10p	90	......	L2.0	3.1	3.1	12.4
105.25	F.P.	—	106	104	India Fund £1	104	......	—	—	—	—
—	F.P.	29/8	£39	£36	JF Pacific Warrant S.A.	£38½	......	—	—	—	—
110	F.P.	5/9	98	90	‡Marina Dev. 50p	95	......	R3.13	3.0	4.6	9.1
§33	F.P.	29/8	34	27	‡Omnitech 1p	28	......	—	—	—	—
§120	F.P.	29/8	120	110	‡Personal Comps. 5p	110	......	R3.0	3.3	3.8	11.2
§165	F.P.	1/8	184	157	‡Smallbone 10p	160	+3	u5.0	2.1	4.4	14.9
§110	F.P.	28/8	125	119	Stanley Leisure	120	......	u3.25	2.8	3.8	13.2
145	Nil	—	15pm	11pm	Sutcliffe Speak Uts†	15pm	......	—	—	—	—
130	F.P.	21/8	160	157	‡TV-am 10p	160	......	R5.75	2.6	5.1	10.7
‡‡	F.P.	—	160	152	VSEL Consortium £1	160	......	W5.68	4.3	5.0	5.0
††	F.P.	—	100	95	Welsh Ind. Inv. Tst. 5p	95	......	—	—	—	—

FIXED INTEREST STOCKS

Issue Price £	Amount Paid up	Latest Renunc. Date	1986 High	1986 Low	Stock	Closing Price £	+ or –
**	F.P.	—	155	135	Authority Inv. 8% Cnv. Uns. Ln. 2006-11	145	......
£100	£10	23/10	10¼	9½	Bournem'th & Dist Wtr 10⅝%Rd Db 1996	10¼	......
‖	Nil	—	3pm	2pm	Egerton Tst 7% Cv Cm Red Pf	2pm	......
99.160	F.P.	24/10	101½	99½	Elect & Gen. Inv. 10¼% Deb. 2011	100½	......
—	—	—	29	27½	JF Pacific Warrant S. A. Pref.	27½	......
105.523	F.P.	21/8	106½	98½	Land Securities 10% 1st. Mort. Deb.25	102	–½
§99.937	£25	24/10	25¼	23¾	Nationwide 3⅞% IL Ln 2021	25¼	+⅛
—	F.P.	—	100⅛	100	Do 10⅛% 17/8/87	100⅛	......
‖	Nil	16/9	105	101½	Ran Bros. Group 8.6% Cum. Cnv. Prf.	104	......
‖	F.P.	30/9	106p	100p	Scantronic 5.75% Cnv. Cum. Red. Prf.	105p	+1
‖	F.P.	16/9	103p	101p	Stewart Est. 6¼% Cum. Cnv. Red. Prf.	101p	......
‖	F.P.	11/9	105	95	Utd Leasing 9½% Cnv. Sub Uns Ln '98—2001	95	......
‖ ‖	F.P.	—	102	101	VSEL Conv.11% Uns. Ln. 1996	102	......
—	F.P.	—	117p	107p	Wight C'ns Cv. Cm. Rd. Prf. 1999 10p	117p	+2

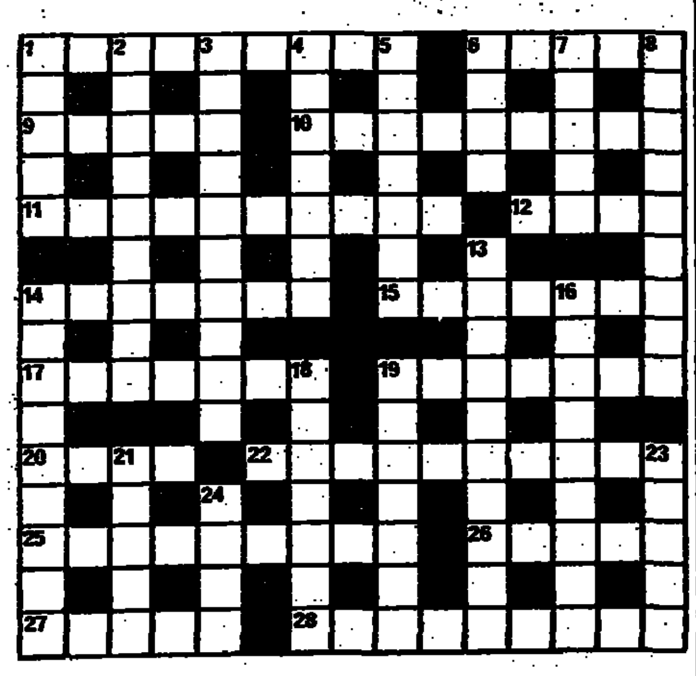
"RIGHTS" OFFERS

Issue Price	Amount Paid up	Latest Renunc. Date	1986 High	1986 Low	Stock	Closing Price p	+ or –
2	Nil	10/10	3½pm	1½pm	Assoc. Brit. Eng. 1p	2½pm	–½
190	Nil	—	15pm	6pm	BBA Group	7pm	+½
39	F.P.	10/10	42pm	40½pm	Blackwood Hodge	42	+½
138	Nil	—	4pm	2pm	Brown & Tawse	4pm	......
5	Nil	22/9	38pm	24pm	‡Cityvision 5p	27pm	......
276	Nil	—	30pm	25pm	FII Group	25pm	......
34	Nil	6/10	5pm	3pm	Forward Tech	5pm	......
450	Nil	—	40pm	33pm	Marler Estates	38pm	–2
390	Nil	3/10	117pm	105pm	WPP Group 10p	110pm	–3

Renunciation date usually last day for dealing free of stamp duty. a Annualised dividend. b Figures based on prospectus estimates. d Dividend rate paid or payable on part of capital, cover based on dividend on full capital. g Assumed dividend and yield. h Assumed dividend and yield after scrip issue. F Forecast dividend cover on earnings updated by latest interim statement. H Dividend and Yield based on prospectus or other official estimates for 1987. L Estimated annualised dividend, cover and p/e based on latest annual earnings. R Forecast annualised dividend, cover and p/e ratio based on prospectus or other official estimates. W Pro Forma Figures t Indicated dividends; cover relates to previous dividend; p/e ratio based on latest annual earnings. u Forecast, or estimated annualised dividend rate, cover based on previous year's earnings. ¶ Issued by tender. ‖ Offered holders of ordinary shares as a "rights." ‖ ‖ Introduction. ** Issued by way of capitalisation. § Placing price. §§ Reintroduced. ¶¶ Issued in connection with reorganisation merger or takeover. ▥ Allotment price. ‡ Unlisted securities market. †† Official London listing. ‡‡ Including warrants entitlement ? Unit comprising of 1 New Ord., 1 9½% Red Prf. and 1 warrant.

FT CROSSWORD PUZZLE No. 6113

DANTE



ACROSS

1 I'm taken in by a clergyman at the end of the day, showing frugality (9)
6 Power drive (5)
9 Grain coming from a tropic island (5)
10 Dogs give assailant trouble (9)
11 Source of ghostly light? (6-4)
12 Pass for a mere youngster (4)
14 How games of chess end for the residents (7)
15 A denigrator is at the door (7)
17 Canal-boat (7)
19 Guesses they're theologists (7)
20 Unwatered stock (4)
22 Night-watchman (10)
25 Land of Hope (9)
26 Pakistan's greatest current asset (5)
27 One left right out by choice rather than necessity? (5)
28 New assistant for the devil-worshippers (9)

DOWN

1 Prepares gifts and cards (5)
2 Salesman, fliers and maintenance-worker (6-3)
3 In some clubs it's an admission of formality (10)
4 They gave advice so wise and so clear, perhaps (7)
5 Feature film of the Middle East? (7)
6 Final issue of two notes (4)
7 Come up to stretch between bends (5)
8 Simple conditions which make purchase more attractive (4,5)
13 An assembly not for Bohemians? (10)
14 As a rule, where Army authority is vested (2,7)
16 He made very valuable contacts (4,5)
18 Told to go in a ship, agrees (7)
19 Walked up around a man sleeping (7)
21 Article written about the professional stage perhaps (5)
23 The wars that should have been nipped in the bud? (5)
24 The highlight of the Nativity (4)

The solution to last Saturday's prize puzzle will be published with names of winners next Saturday.

AUTHORISED UNIT TRUSTS

FT UNIT TRUST INFORMATION SERVICE

[illegible]

AUTHORISED UNIT TRUSTS & INSURANCES

Waverley Asset Management Ltd (a) (c) (g)
13 Charlotte Sq, Edinburgh 031-225 1551

Australasian Gold	18.7	20.0	+0.3	0.15
Pacific Basin	14.1	15.0	+1.0	0.2
Canadian Balanced Growth	58.2	62.2	+0.8	0.98
Glenia Nav.	102.5	106.8	+0.2	7.1

WestAvon Unit Trust Managers Ltd(a)(c)
9 Portland Square, Bristol BS2 8SS 0272 428431

British Smllr Co's (z)	56.9	58.5	+0.1	1.50
British Growth (z)	67.8	69.7	+0.4	2.00
British Income (z)	66.8	68.7	+0.3	5.00
British Extra Yield(z)	51.6	53.1	+0.1	7.00

Whittingdale Unit Trust Managers
2 Honey Lane, London EC2V 8BT 01-606 9085/6

Short Dtd Gilt Fd	67.9	69.0	+0.1	0.00
U.S. Govmt Bond F	50.512	0.515	+0.001	—

Windsor Trust Mngrs Ltd
83 Kingsway, London, WC2B 6SD 01-405 8331

Chieftal & Equity Tst	48.9	52.1	—	7.60
Growth Trust	51.7	55.1	—	2.27
Income Trust	53.0	56.4	—	9.18

Wright Seligman Fund Managers Ltd
11 Blomfield St, London EC2M 7AY 01-588 0592

Growth Fund	68.7	72.2	—	2.97

Weekly dealing day Tuesday

The Yorkshire General Trust
Woodsome Pk, Fenay Bdge, Huddersfield 0484 602250

Y.G.T.	124.7	132.7	(z)	3.34

INSURANCES

AA Friendly Society
(Investment Mngt M & G Inv Mngt Ltd)
PO Box 93 Cardiff CF1 4NW 0222 35542

AA Friendly Sy Aug 8	—	103.1	—	—

Abbey Life Assurance Co Ltd
80 Holdenhurst Road, Bournemouth 0202 292373

Prop. Ser. 1	206.9	217.8	—	—
Equity Ser. 1	103.1	108.6	+1.1	—
Prop. Acc. Ser 2	278.5	293.2	—	—
Equity Ser 2	112.1	118.0	+1.1	—
Selective Acc.	239.6	252.3	+1.4	—
Prop. Ser. 4	219.8	231.4	—	—
Equity Ser. 4	115.2	121.3	+0.9	—
Fixed Int. Ser. 4	191.5	201.6	-0.2	—

[illegible]

City of Edinburgh Life Assurance
46 Charlotte Sq, Edinburgh EH2 4HQ 031-225 1655

Ivory & Sime Bond	102.0	108.0	+3.0	—
Risk & Reward Bond	119.0	126.0	—	—
Murray Johnstone Fd	121.0	128.0	—	—
Money Market Fd	100.0	106.0	—	—
Ivory & Sime Pens Fd	101.0	107.0	—	—
Risk & Reward Pens Fd	101.0	107.0	+2.0	—
Murray J'stone Pens Fd	118.0	125.0	—	—
Money Market Pens Fd	100.0	106.0	—	—

City of Westminster Assurance
Sentry House, 500 Avebury Boulevard, Cent. Milton Keynes MK9 2LA Tel: 0908 606101/660888

Current Series

Property Fund	113.0	119.0	+1.9	—
Money Fund	221.5	233.2	+0.1	—
Managed Fund	409.6	431.2	-0.8	—
Equity Fund	252.8	266.2	+0.5	—
Fixed Interest Fund	150.7	158.7	+0.2	—
Far East Fund	215.1	226.5	-0.8	—
North American Fund	177.6	187.0	-1.3	—
National Resources Fund	132.5	139.5	+0.6	—
Pension Managed Fund	380.5	400.6	+0.6	—
Pension Equity Fund	239.9	252.6	+0.7	—
Adventurous Mngd Fd	109.6	115.4	+0.1	—
Balanced Mngd Fd	105.8	111.4	+0.1	—
Conservative Mngd Fd	105.5	111.4	+0.1	—
European Fund	104.2	109.7	-0.3	—
International Fund	104.7	110.3	—	—

For other prices please telephone 0908 606101/660888

Clerical Medical/Fidelity International
Narrow Plain, Bristol BS2 0JH 0272 290566

Investment Funds

Mixed	135.8	143.0	+1.2	—
Equity	152.9	161.0	+1.8	—
Property	108.4	114.2	—	—
Gilt & Fixed Interest	117.4	123.6	+0.2	—
Indexed Securities	101.1	106.5	—	—
Cash	107.2	112.9	—	—
North American	110.5	116.4	+1.0	—
Far East	132.7	139.7	+1.9	—
International	127.6	134.4	+1.0	—
Special Situations	147.2	155.0	+1.4	—
International Income	142.4	149.9	+1.5	—
American Income	119.3	125.6	+1.1	—
European	150.6	158.6	-0.3	—

Flexible Retirement Plan

Mixed	140.2	147.6	+1.0	—
Equity	147.5	155.3	+1.1	—
Property	112.7	118.7	—	—
Gilt & Fixed Interest	124.0	130.6	+0.1	—
Indexed Linked	104.4	109.9	—	—
Cash	115.00	121.1	—	—

[illegible]

INSURANCE, OVERSEAS & MONEY FUNDS

MANAGEMENT SERVICES

OFFSHORE AND OVERSEAS

World Fund S.A.
2 Boulevard Royal, Luxembourg
World Fund NAV .... $19.30 | −0.07 | —

World Wide Growth Management◆
10a, Boulevard Royal, Luxembourg
Worldwide Gth Fd .... $16.88 | −0.08 | —
Inv. Adv.: M. & G. Inv. Mngt., Ltd, London

Yamaichi Dynamic Mngt Co SA
10A Boulevard Royal, Luxembourg
Advanced Tech .... $18.30 | .... | —
Dynamic Gwth Fd .... $19.09 | +0.09 | —

Zero Bond Fund Limited
PO Box 208, St Peter Port, Guernsey 0481 26268
Zero Bond Fund .... $12.10 12.90 | .... | —

Money Market Trust Funds

	Gross	Net	Gr Equiv CAR	Int Cr
The Charities Deposit Fund				
2 Fore Street, London EC2Y 5AQ			01-588 1815	
Deposit	9.65		+0.05	3-Mth
The Money Market Trust				
63 Qs Victoria St, EC4N 4ST.			01-236 0952	
Call Fund	9.77	7.30	10.64	Mth
7-day Fund	9.76	7.30	10.66	Mth
Oppenheimer Money Management Ltd				
66 Cannon St, EC4N 6AE.			01-236 1425	
Call Fund	9.80	7.35	10.51	6-Mth
7-day Fund	9.67	7.25	10.37	6-Mth
Dollar	4.75	—	—	6-Mth

Money Market Bank Accounts

	Gross	Net	Gr Equiv CAR	Int Cr
Adam & Co. plc				
22 Charlotte Sq, Edinburgh EH2 4DF			031-225 8484	
Full Service Cur Acc	9.25	6.80	9.62	Qtr
Aitken Hume				
30 City Road, EC1Y 2AY.			01-638 6070	
Treasury Acc	9.25	6.91	9.59	Qtr
Mth. Int. Chq.	9.25	6.91	10.04	Mth
Allied Arab Bank Ltd				
97-101 Cannon St, London, EC4N 5AD			01-283 9111	
High Int. Cheque Acc	10.125	7.57	11.04	Mth
Bank of Scotland				
38 Threadneedle St, EC2P 2EH.			01-628 8060	
Money Mkt Cheque Acc	9.30	6.95	10.11	Mth
Barclays Prime Account				
PO Box 125, Northampton			0604 252891	
High Int. Cheque	9.50	7.00	10.12	Qtr
Benchmark Trust Ltd				
9 Henrietta Place, W1M 9AG.			01-631 3313	
Cap Chq Deposit Acc	9.25	6.92	10.04	Mth
Charterhouse Bank Limited				
1 Paternoster Row, EC4M 7DH.			01-248 4000	
Sterling	9.50	7.10	10.53	Mth
U.S. Dollar	5.375	4.02	5.76	Mth
German Marks	4.00	2.99	4.27	Mth
Swiss Francs	1.50	1.12	1.59	Mth
Japanese Yen	4.00	2.99	4.27	Mth
Citibank Savings				
St Martins Hse, Hammersmith Grove			01-581 1422	
Money Market Plus	Top rate	7.20	10.48	Mth
For other rates please 'phone our Rateline 01-581 0629				
Co-operative Bank Cheque & Save				
78-80 Cornhill EC3 01-626 6543				
£500-£2,500	6.69	5.00	7.18	Qtr
£2,500 +	9.38	7.00	10.12	Qtr
Dartington & Co Ltd				
Dartington, Totnes, Devon TQ9 6JE			0803 862271	
Money Mkt Acc	9.50	7.10	10.30	Qtr
Henderson/Bank of Scotland				
38 Threadneedle St EC2P 2EH			01-628 8060	
Money Mkt. Cheque Acc	9.30	6.95	10.11	Mth
Legal & General (Money Mngrs) Ltd				
355 Euston Road, NW1 3AG			01-388 3211	
High Int Dep Acc	9.70	7.25	10.39	6-mth
Lloyds Bank PLC				
71 Lombard St, London EC3P 3BS			01-626 1500	
HighIntCheque Account	9.00	7.20	10.42	Qtr
Lombard North Central PLC				
17 Bruton St, W1A 3DH			01-409 3434	
14-Day Notice	9.00	6.72	9.46	—
M & G/Kleinwort Benson				
M & G Hse., Victoria Rd., Chelmsford 0245 266266				
H.I.C.A. (£2,500+)	9.20	6.87	10.00	Daily
Midland Bank plc				
PO Box 2, Sheffield.			0742 20999 Ext 8655	
High Int Chq Acc	9.05	6.75	9.75	Qtr
£10,000 +	9.36	7.00	10.12	Qtr
M.I.M. Britannia Ltd				
74-78 Finsbury Pavement, EC2A 1JD			01-588 2777	
Cater Allen	9.50	7.10	10.338	—
NatWest Special Reserve Account				
41 Lothbury, London, EC2P 2BP 01-256 9983				
£2,000 to £9,999	9.25	6.875	9.94	Qtr
£10,000 and above	9.375	7.00	10.13	Qtr
Oppenheimer Money Mgmnt Ltd				
66 Cannon St, EC4N 6AE			01-236 1425	
Money Mngt. Acct	9.50	—	—	3-Mth
Phillips & Drew Trust Ltd				
120 Moorgate, London EC2M 6XP			01-628 9771	
High Int Chq Acc	9.75	7.29	10.55	Qtr
Provincial Trust				
30 Ashley Rd, Altrincham, Cheshire			061-928 9011	
High Int Chq Acc	10.00	7.48	10.90	Mth
Royal Bank of Scotland plc				
42 St Andrew Sq, Edinburgh EH2 2YE.			031-557 0201	
Premium Account	9.50	7.10	10.27	Qtr
Save & Prosper/Robert Fleming				
28 Western Rd, Romford RM1 3LB.			0708 66966	
H.I.B.A.	9.10	6.80	9.91	Daily
Tyndall & Co				
29-33 Princess Victoria St, Bristol			0272 732241	
Demand Acc	9.58	7.16	10.36	Qtr
Money Acc	9.36	7.00	10.12	Qtr
J. Henry Schroder Wagg & Co Ltd				
Enterprise House, Portsmouth			0705 827733	
Special Acc	9.00	6.73	9.77	Mth
Over £10,000	9.25	6.91	10.04	Mth
Western Trust & Savings Limited				
The Moneycentre, Plymouth PL1 5SE			0752 224141	
High Int Chq Acc	10.00	7.47	10.81	Qtr
Wimbledon & South West Finance Co Ltd				
114 Newgate St, London EC1A 7AE.			01-606 9485	
High Int Cheque Acc	11.00	8.22	11.94	Qtr

NOTES—Gross: rate to those exempt from composite rate of tax. Net: actual rate after deduction of CRT. Gr Eqvly CAR: Gross equivalent to basic rate taxpayers—compounded annual rate. Int Cr: frequency interest credited.

NOTES

Prices are in pence unless otherwise indicated and those designated $ with no prefix refer to U.S. dollars. Yields % (shown in last column) allow for all buying expenses. a Offered prices include all expenses. b Today's prices. c Yield based on offer price. d Estimated. g Today's opening price. h Distribution free of UK taxes. p Periodic premium insurance plans. s Single premium insurance. x Offered price includes all expenses except agent's commission. y Offered price includes all expenses if bought through managers. z Previous day's price. ¶ Guernsey gross. # Suspended. ◆ Yield before Jersey tax. † Ex-subdivision. ‡‡ Only available to charitable bodies. ◆ Yield column shows annualised rates of NAV increase. xd ex Dividend.

TRADITIONAL OPTIONS

3-month call rates

Industrials	p		p
Allied-Lyons	30	NEI	11
Amstrad	23	Nat West Bk	48
BAT	35	P & O Dfd	45
BOC Grp	28	Plessey	18
BSR	11	Polly Peck	74
BTR	28	Racal Elect	16
Babcock	17	RHM	29
Barclays	45	Rank Org Ord	45
Beecham	48	Reed Intnl	75
Blue Circle	55	STC	16
Boots	22	Sears	12
Bowaters	30	TI	42
Brit Aerospace	45	Tesco	32
Brit. Telecom	17	Thorn EMI	48
Burton Ord	28	Trust Houses	15
Cadburys	17	Turner Newall	18
Charter Cons	22	Unilever	120
Comm Union	28	Vickers	40
Courtaulds	26	Wellcome	17
FNFC	17	**Property**	
Gen Accident	75	Brit Land	16
Gen Electric	17	Land Secs	38
Glaxo	85	MEPC	32
Grand Met	34	Peachey	24
GUS 'A'	85	Samuel Props	25
Guardian	75	**Oils**	
GKN	32	Brit. Oil & Min	$2\frac{1}{2}$
Hanson Tst	16	Brit Petroleum	45
Hawker Sidd	48	Burmah Oil	30
ICI	55	Charterhall	4
Jaguar	38	Premier	$3\frac{1}{2}$
Ladbroke	32	Shell	55
Legal & Gen	24	Tricentrol	11
Lex Service	28	Ultramar	18
Lloyds Bank	35	**Mines**	
Lucas Inds	52		
Marks & Spencer	18	Cons Gold	40
Midland Bk	44	Lonrho	24
Morgan Grenfell	38	Rio T Zinc	50

A selection of Options traded is given on the London Stock Exchange Report Page.

LONDON SHARE SERVICE

BRITISH FUNDS

"Shorts" (Lives up to Five Years)

[illegible]

Five to Fifteen Years

[illegible]

Over Fifteen Years

[illegible]

Undated

[illegible]

Index-Linked

[illegible]

INT. BANK AND O'SEAS GOVT STERLING ISSUES

[illegible]

CORPORATION LOANS

[illegible]

COMMONWEALTH & AFRICAN LOANS

[illegible]

LOANS

Building Societies

[illegible]

Public Board and Ind.

[illegible]

Financial

[illegible]

FOREIGN BONDS & RAILS

[illegible]

AMERICANS

[illegible]

AMERICANS—Cont.

[illegible]

CANADIANS

[illegible]

BANKS, HP & LEASING

[illegible]

Hire Purchase, Leasing, etc.

[illegible]

BEERS, WINES & SPIRITS

[illegible]

BUILDING, TIMBER, ROADS

[illegible]

BUILDING, TIMBER, ROADS—Cont

Dividends Paid		Stock	Price	Last xd	Div Net	C'vr	Y'ld Gr's	P/E
October		Copson (F.) 5p	65	16.9	1.5	1.1	3.3	37.5
July	Oct.	Costain Group	566	12.5	17.0	2.8	4.4	10.3
Sept.	Apr.	Countryside Props	475	14.7	†5.74	5.1	1.7	12.0
Oct.	April	Crouch (D.) 20p	178	10.3	5.93	2.3	4.7	13.0
Sept	Mar	Dew (George) 25p	98	28.7	6.0	1.2	8.6	13.9
October		Douglas (Robt. M)	130	10.2	0.75	2.6	1.9	(23.1)
October		♦Dunton Group 5p	[illegible]	1.4	†0.24	4.3	1.8	14.2
May	Oct	♦EBC 50p	125	1.4	†h5.72	2.5	7.1	7.8
Dec.	June	Erith	104	14.4	3.3	1.6	4.5	19.2
February		Fairbriar 10p	160	30.6	1.40	2.9	3.5	13.8
Dec	June	Feb. Intl. 10p	90	2.6	1.78	—	2.8	—
Dec	June	Do. 'A' 10p	58	2.6	1.78	—	4.3	—
Oct	Apr	Federated Housing 5p	148	17.4	†3.3	3.0	3.2	14.8
Jan	Oct	Finlan Group 10p	70	10.2	¤3.04	♦	7.9	♦
Apr.	Nov.	Galliford 5p	86	10.3	4.4	1.5	7.2	13.4
May		Gibbs Dandy A 10p	35	14.4	1.8	2.0	7.2	9.5
July	Jan.	Gleeson (M.J.) 10p	379	12.5	†3.37	5.4	2.0	12.8
Feb.	Oct.	HAT Group 10p	140xd	11.8	♦3.8	2.4	3.8	13.3
—	—	Helical Bar	239	6/81	—	—	—	—
Dec.	July	Henderson Group	212	2.6	7.0	1.9	4.7	13.4
Dec.	July	Hewden-Stuart 10p	67	12.3	1.7	3.0	3.6	11.8
Jan.	July	Do. 10pcLn. 03-08	£187	9.12	Q10%	—	6.4	—

[illegible]

CHEMICALS, PLASTICS

[illegible]

DRAPERY AND STORES

[illegible]

DRAPERY & STORES—Cont.

[illegible]

ELECTRICALS

[illegible]

ENGINEERING

[illegible]

ENGINEERING—Continued

[illegible]

FOOD, GROCERIES, ETC

[illegible]

HOTELS AND CATERERS

[illegible]

INDUSTRIALS (Miscel.)

[illegible]

INDUSTRIALS—Continued

[illegible]

INDUSTRIALS—Continued

LEISURE—Continued

MOTORS, AIRCRAFT TRADES

Motors and Cycles

Commercial Vehicles

Components

Garages and Distributors

NEWSPAPERS, PUBLISHERS

PAPER, PRINTING, ADVERTISING

INSURANCES

LEISURE

PROPERTY—Continued

SHIPPING

SHOES AND LEATHER

SOUTH AFRICANS

TEXTILES

TOBACCOS

TRUSTS, FINANCE, LAND

Investment Trusts

INVESTMENT TRUSTS—Cont.

Finance, Land, etc

FINANCE, LAND—Cont.

OIL AND GAS

OVERSEAS TRADERS

PLANTATIONS

Rubbers, Palm Oil

Teas

MINES

Central Rand

Eastern Rand

Far West Rand

MINES—Continued

O.F.S.

Diamond and Platinum

Central African

Finance

Australians

Tins

Miscellaneous

NOTES

Unless otherwise indicated, prices and net dividends are in pence and denominations are 25p. Estimated price/earnings ratios and covers are based on latest annual reports and accounts and, where possible, are updated on half-yearly figures. P/Es are calculated on "net" distribution basis, earnings per share being computed on profit after taxation and unrelieved ACT where applicable; bracketed figures indicate 10 per cent or more difference if calculated on "nil" distribution. Covers are based on "maximum" distribution; this compares gross dividend costs to profit after taxation, excluding exceptional profits/losses but including estimated extent of offsettable ACT. Yields are based on middle prices, are gross, adjusted to ACT of 29 per cent and allow for value of declared distribution and rights.

- ● "Tap Stock".
- * Highs and Lows marked thus have been adjusted to allow for rights issues for cash.
- † Interim since increased or resumed.
- ‡ Interim since reduced, passed or deferred.
- ‡‡ Tax-free to non-residents on application.
- ♦ Figures or report awaited.
- ♥ Not officially UK listed; dealings permitted under Rule 535(4)(a).
- ♣ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- †† Dealt in under Rule 535(3).
- # Price at time of suspension.
- ¶ Indicated dividend after pending scrip and/or rights issue: cover relates to previous dividend or forecast.
- ♦ Merger bid or reorganisation in progress.
- ♦ Not comparable.
- ♦ Same interim: reduced final and/or reduced earnings indicated.
- ♦ Forecast dividend; cover on earnings updated by latest interim statement.
- ‡ Cover allows for conversion of shares not now ranking for dividends or ranking only for restricted dividend.
- ☆ Cover does not allow for shares which may also rank for dividend at a future date. No P/E ratio usually provided.
- ‖ No par value.

B.Fr. Belgian Francs. Fr. French Francs. ¢¢ Yield based on assumption Treasury Bill Rate stays unchanged until maturity of stock. a Annualised dividend. b Figures based on prospectus or other offer estimate. c Cents. d Dividend rate paid or payable on part of capital, cover based on dividend on full capital. e Redemption yield. f Flat yield. g Assumed dividend and yield. h Assumed dividend and yield after scrip issue. j Payment from capital sources. k Kenya. m Interim higher than previous total. n Rights issue pending. q Earnings based on preliminary figures. s Dividend and yield exclude a special payment. t Indicated dividend: cover relates to previous dividend, P/E ratio based on latest annual earnings. u Forecast, or estimated annualised dividend rate, cover based on previous year's earnings. v Subject to local tax. x Dividend cover in excess of 100 times. y Dividend and yield based on merger terms. z Dividend and yield include a special payment: Cover does not apply to special payment. A Net dividend and yield. B Preference dividend passed or deferred. C Canadian. E Minimum tender price. F Dividend and yield based on prospectus or other official estimates for 1986-87. G Assumed dividend and yield after pending scrip and/or rights issue. H Dividend and yield based on prospectus or other official estimates for 1986. K Figures based on prospectus or official estimates for 1984. L Estimated annualised dividend, cover and p/e based on latest annual earnings. M Dividend and yield based on prospectus or other official estimates for 1985-86. N Dividend and yield based on prospectus or other official estimates for 1985. P Figures based on prospectus or other official estimates for 1983. Q Gross. R Forecast annualised dividend, cover and p/e based on prospectus or other official estimates. T Figures assumed. W Pro forma figures. Z Dividend total to date.

Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xl ex capital distribution.

REGIONAL & IRISH STOCKS

The following is a selection of Regional and Irish stocks, the latter being quoted in Irish currency.

Albany Inv 20p	59	.....
Craig & Rose £1	£13½	.....
Finlay Pkg. 5p	45	+1
Holt (Jos) 25p	825	.....
IoM Stm. £1	73	.....
IRISH		
Fund 13¼% 1988	£101¼	.....
Nat. 9¾% 84/89	£98	.....
Fin. 13% 97/02	£106½	.....
Arnotts	305	.....
CPI Hldgs	45	.....
Carroll Inds.	123	.....
Dublin Gas	30	.....
Hall (R. & H.)	74	.....
Heiton Hldgs.	27	.....
Irish Ropes	98	.....
Unidare	225	.....

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INTERNATIONAL APPOINTMENTS

Changes in organisation of Squibb

SQUIBB CORPORATION, the New Jersey manufacturer of pharmaceuticals and medical products, is to make changes in its organisation today, as part of its plans to spin off its medical systems business, announced in July, reports Reuter from Princeton.

A new Squibb operating group is to combine the businesses of the pharmaceutical products group and the remaining businesses of the medical products group.

The operating group is to be headed by Mr Jan Leschly, a corporate executive vice president who was left with responsibility for the remaining medical products group components after the spin-off of Advanced Technology Laboratories, Spacelabs and Squibb Medical Systems under the name Westmark International.

Squibb also announced that Mr Charles A. Baker has been elected a group vice president of the corporation and president of Squibb International, which is to include Squibb Europe, Squibb Japan and a newly formed profit centre, Squibb International.

Mr William C. Weathersby has been elected a group vice president of the corporation and president of Squibb United States, which is to include E. R. Squibb and Sons US, Princeton Pharmaceutical Products, Squibb Mark, Squibb Diagnostics and Squibb-Novo.

Senior executive quits at Transworld Corporation

BY WILLIAM HALL IN NEW YORK

THE RESIGNATION of Mr Charles J. Bradshaw, aged 50, as president and chief operating officer of Transworld Corporation, the food and hotels group, has been announced following a boardroom row over Transworld's future expansion plans.

Mr L. Edwin Smart, Transworld's 62-year-old chief executive, says that a "difference of views has arisen concerning the breadth of Transworld's future expansion programme." He says that the issue involved "matters of judgement and degree," and the parting was "completely amicable."

The presidents of Transworld's major subsidiaries — Hilton International Canteen Corporation and Spartan Food Systems—who had reported to Mr Bradshaw will now report to Mr Smart.

Mr Bradshaw joined Transworld in 1979 after his company, Spartan Food Systems, had been acquired by the group. In February, 1984 Transworld spun off TWA, its famous airline subsidiary, and four months later Mr Bradshaw was made president and chief operating officer.

Transworld has said it is interested in acquiring companies to complement its existing businesses and add new opportunities within the food and hotels business (its main areas of expertise). It has, however, so far only made one relatively small acquisition — the US$92.5m purchase of Interstate United Corporation from Hanson Trust, the UK conglomerate — and sold its Century 21 real estate subsidiary to Metropolitan Life for $251.2m.

In its first full year without TWA, Transworld increased its net income by 10.6 per cent to $93.3m but in the first half of 1986 its net income fell by 25 per cent to $30.9m, on sales which rose by 31 per cent to $667.6m. Transworld blamed a sharp increase in its tax rate plus a decline in travel to its European hotel operations. Transworld's shares fell by $1 to $29⅞ on Friday.

World Bank elects auditing director

BY SARA WEBB IN STOCKHOLM

MR SUNE CARLSSON, a former managing director of the Oehrlings Revisionbyraa, the Swedish auditing firm, has been appointed a director fo the World Bank.

He will head the internal audit department of the World Bank group (which includes the World Bank, the International Development Association, and the International Finance Company) where he will be responsible for following up the bank's internal control procedures and corporate policy on the financing of long-term projects.

Mr Carlsson has been managing director of Oehrlings Revisionbyraa for 10 years. The Swedish firm is a member of Coopers and Lybrand (International), of the UK-based concern, and Mr Carlsson has worked on the Coopers and Lybrand (International) advisory committee and as chairman of Coopers and Lybrand European policy committee, co-ordinating tax work between member firms in Europe.

Since 1976, he has been vice chairman of the Swedish Accounting Standards Board. He will join the World Bank on September 22.

New chief to join Orion Royal Bank

BY PETER MONTAGNON, EUROMARKETS CORRESPONDENT

MR JOHN SANDERS, head of international capital markets at S. G. Warburg, the London merchant bank, is to become the new chairman and chief executive of Orion Royal Bank, the London investment banking arm of The Royal Bank of Canada.

The appointment, effective from October 1, spells the end to one of the longest running guessing games in the Euromarkets. Orion has been without a chief executive since the resignation of Mr John Abell in December last year.

In his new post Mr Sanders will also be responsible for all investment banking activities of the Royal Bank of Canada outside North America, an expanded brief compared with that of his predecessor.

Mr Geoffrey Styles, Royal Bank vice-chairman, says the appointment puts an end to a sense of drift that had developed at Orion this year in the absence of a chief executive "which hurt us somewhat in the marketplace."

Profits at Orion are running below last year's levels, after surging 69 per cent in the 1986 calendar year to a record pretax £17.7m (US$26.2m), and this is partly due to the impact of the vacancy at the top, he says.

Mr Styles has been non-executive chairman of Orion and after the change will keep his association with the bank as chairman of the executive committee.

Mr Sanders, 43, who came to S. G. Warburg seven years ago after a similar length spell at Credit Suisse First Boston, is also chairman of the International Primary Market Association (IPMA), which groups new issue managers in the Eurobond market, as well as an executive committee member of ISRO, the self regulatory body which is to cover the Eurobond market after October's Big Bang changes in the London money markets.

He says he expects to retain both positions for the time being.

The long vacancy at Orion left the market wondering about the commitment of its parent to the Euromarket, but Mr Styles affirms that the bank's commitment was substantial. Orion is "the flagship of our global investment banking thrust," he says.

Mr Sanders plans to build on the strengths of Orion in his new role. These are its Canadian parent and customer base and the Orion name itself.

Orion will not seek at any cost to rise to the top of the league tables for bond issue mandates, he says, but equally it recognises that it has to maintain a high enough position to ensure credibility and draw in profitable ancillary business.

New chairman for London Brick

Mr R. S. Fulford has been appointed chairman of LONDON BRICK, the Hanson Trust subsidiary. Mr D. J. Snowdon succeeds him as managing director. Mr J. C. Meins is to be appointed finance director.

★

HARRINGTON AUSTIN, Lloyd's insurance brokers, has announced that Mr J. W. Harrington has retired from the company. Mr A. A. Austin is no longer a director but remains as a full-time consultant reinsurance broker. Mr A. C. Harris has been appointed chairman of the group. Mr M. R. T. Cheasley, Mr M. A. Fryer, Mr D. E. Barnett and Mr N. E. Watkins have also been appointed directors of HARRINGTON AUSTIN (HOLDINGS) and H. A. LIMITED.

★

ESS-FOOD DANEPAK, the Danish bacon processing company, has appointe d Mr John Dawsen as managing director and executive board member of the UK group. The Ess-Food UK group is headed by the group managing director, Mr Svend Bernsen, and consists of Danish Bacon Company, managing director Mr Carl Christensen; Anglo Danish Food Transport, managing director Mr Terry McVeigh; Ess-Food Fresh Meat, and Danepak.

★

THE ASSOCIATION OF PHOTOGRAPHIC LABORATORIES, the national representative body for the photoprocessing industry in the UK, has appointed Mr Keith Harris as chief executive.

★

STRUCTURAL DYNAMICS RESEARCH CORPORATION announces the appointment of Mr Ronald Friedsam as chairman of the board of directors and president and chief executive officer.

★

Following the recent acquisition of ROBERT MOSS by Bunzl, to join its industrial division, Mr Peter Gell becomes chairman of Robert Moss while Mr David Harris has been appointed managing director.

★

Mr Barry Miller is to be the new director general defence quality assurance from September 1. The post is of key significance in the MINISTRY OF DEFENCE'S pursuit of value for money in defence procurement. The Director General has close dealings with the defence sector of British industry in the fields of quality assurance, reliability, maintainability and standardisation.

★

Mr David Wickert has been appointed director of the payroll unit at the CHARITIES AID FOUNDATION. Previously Vicar in Waterloo and Rural Dean of Lambeth, he takes up his post full-time at the beginning of September.

★

ROBERT FRASER INSURANCE BROKERS has created a new division, Robert Fraser Arts and Specie and the following appointments have been made: Mr Garth Bearman, chairman; Mr Michael Scarsbrook, managing director; Mr Paul Parkinson and Mr Allan Whipple as directors. Mr Scarsbrook, Mr Whipple and Mr Parkinson were formerly with Leslie and Godwin.

★

GENERAL COMBUSTION (EUROPE) has appointed Mr Terry Henshaw director of sales and marketing from September 1.

★

LLOYDS BANK'S dealings in world money markets will be brought together in Lloyds Bank global treasury, on January 1. The present treasury operations in New York, Tokyo and Hong Kong together with the treasury division in London will report to Mr Alan Moore, the director of treasury.

WORLD STOCK MARKETS

AUSTRIA

1986 High	1986 Low	August 29	Price Sch
[illegible]			

BELGIUM/LUXEMBOURG

1986 High	1986 Low	August 29	Price Frs.
[illegible]			

DENMARK

1986 High	1986 Low	August 29	Price Kr. %
[illegible]			

FRANCE

1986 High	1986 Low	August 29	Price Frs.
[illegible]			

SWITZERLAND

1986 High	1986 Low	August 29	Price Frs.
[illegible]			

AUSTRALIA

1986 High	1986 Low	August 29	Price Aust. $
[illegible]			

GERMANY

1986 High	1986 Low	August 29	Price Dm
[illegible]			

NORWAY

1986 High	1986 Low	August 29	Price Kroner
[illegible]			

ITALY

1986 High	1986 Low	August 29	Price Lire
[illegible]			

HONG KONG

1986 High	1986 Low	August 29	Price H.K.$
[illegible]			

NETHERLAND

1986 High	1986 Low	August 29	Price Fls
[illegible]			

SWEDEN

1986 High	1986 Low	August 29	Price Kronor
[illegible]			

SOUTH AFRICA

1986 High	1986 Low	August 29	Price Rand
[illegible]			

SINGAPORE

1986 High	1986 Low	August 29	Price $
[illegible]			

JAPAN

1986 High	1986 Low	August 29	Price Yen
[illegible]			

SPAIN

1986 High	1986 Low	August 29	Price Pts %
[illegible]			

NOTES—Prices on this page are as quoted on the individual exchanges and are last traded prices. # Dealings suspended. xd Ex dividend. xc Ex scrip issue. xr Ex rights. xa Ex all. * Price in Schillings.

CANADA

TORONTO

Closing prices August 29

Sales	Stock	High	Low	Close	Chng
[illegible]					

1—No voting rights or restricted voting rights.

MONTREAL

Closing prices August 29

Sales	Stock	High	Low	Close	Chng
[illegible]					

Total Sales 3,228,457 shares

OVER-THE-COUNTER

Nasdaq national market, closing prices, August 29

Continued from Page 29

Stock	Sales (Hnds)	High	Low	Last	Chng
[illegible]					

Indices

NEW YORK

DOW JONES	Aug. 29	Aug. 28	Aug. 27	Aug. 26	Aug. 25	1986 High	1986 Low	Since Cmp High	Since Cmp Low
♦Industrials	1898.34	1900.17	1904.53	1904.25	1871.77	1909.03 (2/7)	1502.29 22/1	1909.03 (2/7/86)	41.22 2/7/32
H'me Bnds.	91.72	91.74	91.65	91.8	91.85	91.94 21/8	85.75 14/1	—	—
Transport.	772.13	777.75	781.5	774.0	761.75	860.94 31/8	686.97 9/1	838.89 31/8/86	12.32 8/7/32
Utilities	219.15	217.5	217.78	217.72	214.37	219.15 (29/8)	169.47 22/1	219.15 29/8/86	10.5 8/4/32

Day's High 1913.53 (1912.26) Low 1883.44 (1882.73)

STANDARD AND POOR'S	Aug. 29	Aug. 28	Aug. 27	Aug. 26	Aug. 25	1986 High	1986 Low	Since Cmp High	Since Cmp Low
Composite ‡	252.93	252.84	253.3	252.84	247.81	253.3 (27/8)	203.49 (22/1)	253.3 27/8/86	4.40 1/6/32
Industrials	278.14	278.19	278.95	278.41	272.77	282.94 (2/7)	224.38 22/1	282.24 (2/7/86)	3.62 21/6/32
Financials	30.37	30.33	30.11	30.12	29.54	31.18 (14/8)	25.18 22/1	31.13 14/5/86	8.64 1/10/74
N.Y.S.E. COMPOSITE	145.38	145.34	145.41	146.15	142.69	145.41 (27/8)	117.75 (22/1)	145.41 27/8/86	4.46 25/4/42
AMEX. MKT VALUE	273.85	273.2	272.9	272.38	269.94	285.19 (25/6)	246.86 (4/2)	285.19 25/6/86	29.15 9/12/74
NASDAQ OTC COMP.	382.86	382.4	381.69	380.49	378.26	411.16 (3/7)	323.01 (9/1)	411.16 3/7/86	54.87 3/10/74

DIVIDEND YIELDS	Aug. 22	Aug. 15	Aug. 8	Aug. 1	Year ago (approx)
Dow Industrial	3.59	3.65	3.60	3.82	4.66
	Aug. 20	Aug. 13	Aug. 6	July 30	
S and P Industrial	2.96	2.99	3.10	3.10	3.72
S and P ind P/E ratio	18.54	18.11	17.48	17.22	11.90

TRADING ACTIVITY

Millions Volume †	Aug. 29	Aug. 28	Aug. 27
New York	126.30	125.88	144.43
Amex	8.29	8.78	10.55
O.T.C.	100.49	103.12	98.64

New York	Aug. 29	Aug. 28	Aug. 27
Issues Traded	1,992	1,992	2,002
Rises	819	821	863
Falls	679	733	724
Unchanged	495	438	415
New Highs	—	97	110
New Lows	—	13	19

CANADA

TORONTO	Aug. 29	Aug. 28	Aug. 27	Aug. 26	Aug. 25	1986 High	1986 Low
Metals & Minerals	2044.86	2051.18	2048.5	2046.5	2032.0	2442.85 (21/8)	1817.4 (5/8)
Composite	3028.8	3034.5	3038.7	3026.5	3017.5	3129.11 (18/4)	2754.0 (17/2)
MONTREAL Portfolio	1518.55	1520.39	1523.32	1521.23	1509.87	1625.53 (18/4)	1396.59 (22/1)

	Aug. 29	Aug. 28	Aug. 27	Aug. 26	1986 High	1986 Low
AUSTRALIA						
All Ord. (1/1/80)	1192.2	1185.3	1182.4	1178.2	1247.8 (7/8)	1018.8 (2/1)
Metals & Mnls. (1/1/80)	545.5	545.0	545.5	548.8	602.0 (24/5)	481.1 (20/8)
AUSTRIA						
Creditbk Aktien (30/12/84)	229.56	228.5	227.98	228.15	269.64 (25/4)	225.58 (5/8)
BELGIAN						
Brussel SE (1/1/84)	3855.42	3850.85	3835.46	3837.05	3898.06 (29/8)	2798.81 (15/1)
DENMARK						
Copenhagen SE (3/1/83)	199.52	198.5	197.74	198.5	260.79 (18/4)	195.88 (8/1)
FRANCE						
CAC General (31/12/82)	412.8	406.3	410.8	405.7	412.8 (29/8)	287.8 (2/1)
Ind Tendance (31/12/82)	158.0	156.8	156.8	155.8	158.0 (29/8)	101.6 (2/1)
GERMANY						
FAZ Aktien (31/12/58)	684.72	681.26	688.51	681.72	758.85 (17/4)	585.82 (22/7)
Commerzbank (1/12/53)	2095.8	2085.9	2104.8	2080.7	2278.8 (17/4)	1782.4 (22/7)
HONG KONG						
Hang Seng Bank (31/7/64)	1815.0	1804.2	1802.86	1817.8	1856.12 (19/8)	1559.94 (19/5)
ITALY						
Banca Comm Ital. (1972)	617.19	611.3	611.14	602.8	805.20 (30/6)	454.67 (24/1)
JAPAN**						
Nikkei (16/5/49)	18556.68	18567.90	18585.27	18648.55	18958.2 (20/8)	12881.5 (21/1)
Tokyo SE New (4/1/68)	1529.75	1515.5	1529.5	1552.46	1558.55 (20/8)	1025.85 (21/1)
NETHERLANDS						
ANP-CBS General (1970)	294.7	296.6	297.7	292.8	299.6 (21/8)	240.4 (5/8)
ANP-CBS Indust (1970)	296.8	297.1	298.2	294.3	303.9 (19/8)	234.0 (5/8)
NORWAY						
Oslo SE (4/1/83)	385.85	389.78	387.81	381.6	492.51 (16/1)	381.61 (4/8)
SINGAPORE						
Straits Times (30/12/66)	838.40	834.54	828.06	805.86	838.48 (29/8)	583.54 (28/4)
SOUTH AFRICA						
JSE Gold (28/9/78)	1686.0	—	1687.0	1676.8	1887.0 (27/8)	1109.1 (21/4)
JSE Indust (28/9/78)	1296.0	—	1288.8	1294.0	1302.6 (14/8)	1019.3 (2/1)
SPAIN						
Madrid SE (30/12/85)	188.31	195.44	195.2	195.75	198.47 (23/8)	108.93 (3/1)
SWEDEN						
Jacobson & P (31/12/56)	2478.34	2467.5	2498.68	2506.48	2920.52 (12/8)	1729.57 (29/1)
SWITZERLAND						
SwissBankCpn (31/12/58)	582.1	584.3	581.7	587.4	625.5 (9/1)	497.2 (4/8)
WORLD						
M.S. Capital Intl. (1/1/70)	355.5	—	357.0	358.2	359.2 (28/8)	249.8 (25/1)

** Saturday August 23: Japan Nikkei 18132.83. TSE 1508.88.

Base value of all indices are 100 except Brussels SE—1,000, JSE Gold—255.7, JSE Industrial—264.3, and Australia, All Ordinary and Metals—500. NYSE All Common—50; Standard and Poors—10; and Toronto Composite and Metals—1,000. Toronto Indices Based 1975 and Montreal Portfolio 4/1/83. † Excluding bonds. ‡ 400 Industrials plus 40 Utilities, 40 Financials and 20 Transports. c Closed. u Unavailable.

NEW YORK ACTIVE STOCKS

Friday	Stocks traded	Closing price	Change on day
Ohio Edison	8,108,700	22⅛	+ ⅛
Owens-Corn	4,048,100	79½	− 1⅛
ATT	1,533,700	24⅝	+ ⅛
PSEG	1,485,500	45⅝	+ ⅛
Dresser Ind	1,417,800	17⅝	+ ⅛
Grolier	1,273,200	12⅞	+ 1⅛
Mobil	1,074,700	35⅝	− ⅛
Coca Cola	1,068,800	37⅞	+ ⅛
Hewlett-Pack	1,020,100	48½	+ 1½
Exxon	984,800	68⅞	− ⅛

Closing prices, August 29

NEW YORK STOCK EXCHANGE COMPOSITE CLOSING PRICES

12 Month High	12 Month Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
26½	13¾	AAR s	.44	1.9	19	143	23⅝	23¼	23½	+¼
30	21¾	ADT	.92	3.8		63	24	24	24	
33	11½	AFG s	.095	.3	17	142	31⅜	31	31	
25⅞	13¾	AGS			13	159	19	18½	18½	−½
15	9⅞	AMCA			247	z4	10	9⅞	9⅞	+⅛
60⅝	37½	AMR			14	1111	56⅞	55¾	56⅛	−¾
27½	23¼	ANR pf 2.67		10.		1	25½	25½	25½	
24	19¼	ANR pf 2.12		9.2		1	23⅛	23⅛	23⅛	−⅜
12½	8½	APL			6	44	11	11	11	
16¾	10	ARX	.71t	6.3	11	65	11⅜	11¼	11¼	+⅛
40⅞	28¾	ASA	2a	5.8		697	34⅞	34⅜	34¾	+⅝
18⅝	9¾	AVX		2.8		183	11¾	11¼	11½	+¼
32	22⅝	AZP	2.72	8.5	9	1629	31⅞	31¾	31⅞	+⅛
55	26⅝	AbtLb s .84		1.7	23	3483	50	48⅝	49⅝	+⅞
32	18⅝	AccoWd58		2.0	19	175	28¾	28⅜	28⅝	+⅛
14⅞	9	AcmeC .40		3.7		52	11	10⅞	10⅞	
9¼	7	AcmeE.32b		4.5	15	25	7¼	7⅛	7⅛	
22¼	17	AdaEx 1.90e		8.6		66	22¼	21⅞	22⅛	+¼
33⅝	16	AdmMl .40		1.4	13	45	29½	29¼	29½	
20⅜	11⅞	AdvSys83t		5.2	14	42	15⅞	15⅝	15⅞	+¼
32⅞	14⅛	AMD				2275	19⅜	19	19⅜	−⅛
12⅝	5⅝	Adobe n				79	7¼	7	7	−¼

Continued on Page 29

NYSE COMPOSITE CLOSING PRICES

Continued from Page 28

[illegible]

X Y Z

12 Month High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
72¾	45¾	Xerox	3	5.3	17	x2761	57⅞	56½	57	−⅝
58¼	53½	Xerox pf5.45		9.8		x18	56¾	56¾	55¾	+¾
28¾	20⅝	XTRA	.64	2.6		55	25	24⅝	24¾	
17⅝	13½	Yorkln n				122	15¾	15½	15¾	+¼
39	26½	ZaleCp 1.40		3.9		10	35½	35½	35½	
29	21	Zale pfA .80		2.9		5	28	28	28	−½
9½	3¼	Zapata .08j				717	3¾	3⅝	3⅝	−⅛
43⅞	23⅞	Zayre s .32		1.1	19	5527	28⅞	28¼	28⅞	+⅛
29⅞	16¼	ZenithE				502	25⅜	25	25	−¼
18¼	8	ZenLb s			24	4038	9½	8½	9½	+¾
22⅝	14⅜	Zero s .20		1.3	16	577	16⅝	16⅛	16½	+¼
45¾	32¾	Zurnln 1.32		3.5	14	29	38⅝	38	38	−½

U U U

12 Month High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
64¾	45	UAL	1	1.8		684	57⅜	56½	56½	−⅜
22⅞	13¼	UCCEL			22	540	u23¾	22½	23¾	+1½
25¾	14⅞	UDC s	2	9.2	5	242	22⅛	21⅝	21⅝	−⅝
28¼	20	UGI	2.04	7.5		215	27¼	26⅞	27⅛	
13¾	9	UNCInc			13	142	11	10⅞	10⅞	+⅛
18⅞	10⅞	URS	.35r	2.3		385	15¾	15⅜	15⅜	−¼
46⅞	30¼	USFG	2.32	5.6	33	7581	41½	40½	41⅛	−⅛

Sales figures are unofficial. Yearly highs and lows reflect the previous 52 weeks plus the current week, but not the latest trading day. Where a split or stock dividend amounting to 25 per cent or more has been paid, the year's high-low range and dividend are shown for the new stock only. Unless otherwise noted, rates of dividends are annual disbursements based on the latest declaration.

a-dividend also extra(s). b-annual rate of dividend plus stock dividend. c-liquidating dividend. cld-called. d-new yearly low. e-dividend declared or paid in preceding 12 months. g-dividend in Canadian funds, subject to 15% non-residence tax. i-dividend declared after split-up or stock dividend. j-dividend paid this year, omitted, deferred, or no action taken at latest dividend meeting. k-dividend declared or paid this year, an accumulative issue with dividends in arrears. n-new issue in the past 52 weeks. The high-low range begins with the start of trading. nd-next day delivery. P/E-price-earnings ratio. r-dividend declared or paid in preceding 12 months, plus stock dividend. s-stock split. Dividends begin with date of split. sls – sales. t-dividend paid in stock in preceding 12 months, estimated cash value on ex-dividend or ex-distribution date. u-new yearly high. v-trading halted. vi-in bankruptcy or receivership or being reorganised under the Bankruptcy Act, or securities assumed by such companies. wd-distributed. wi-when issued. ww-with warrants. x-ex-divident or ex-rights. xdis-ex-distribution. xw-without warrants. y-ex-dividend and sales in full. yld-yield. z-sales in full.

AMEX COMPOSITE CLOSING PRICES

Closing prices August 29

OVER-THE-COUNTER

Nasdaq national market, closing prices, August 29

Continued on Page 27

CURRENCIES, MONEY and CAPITAL MARKETS

FOREIGN EXCHANGES

Trade points to weaker dollar

BY COLIN MILLHAM

AN INCREASE in the US trade deficit to a record $18.04bn in July highlights the economic problems of the Reagan Administration, and in the light of the present attitude of West Germany and Japan points towards lower US interest rates and a further weakening of the dollar.

The West German trade surplus in July widened to a record DM 10.9bn from DM 9.9bn and in the same month Japan's surplus increased to a record $8.22bn from $7.36bn, and $4.60bn a year earlier.

On the basis of the latest figures economic forecasters are revising down estimates of third-quarter US gross national product growth. A figure of around 2 per cent is looked for, compared with earlier more optimistic forecasts of about 2.5 per cent.

Second-quarter growth was recently revised down to 0.6 per cent from 1.1 per cent, and although the Federal Reserve has revised down its estimate of annual growth this year to 2.5 per cent from 3 per cent, there must be some doubt whether this figure will be met.

The previous record US deficit was $16.46bn, and in July last year the shortfall was $11.59bn. The deficit in June this year was revised down to $13.25bn from $14.17bn but because of certain changes in calculations the two figures are not necessarily comparable. The unrevised deficit for the first seven months of the year was $101.96bn, compared with $80.85bn in the same period last year.

For the third consecutive month the US ran a deficit in farm trade, for the first time in the 30 years that records have been kept.

Another important US statistic released last week was leading indicators but this simply added confusion to the general picture. July indicators rose 1.1 per cent, which was about double most estimates, but the June figure was revised to a fall of 0.4 per cent from a rise of 0.3 per cent.

Overall the US economic scene does not look encouraging and, when comparing the US trade deficit against the West German surplus, US officials must have been particularly frustrated at the refusal of the Bundesbank council to cut West German interest rates. The West German central bank is known to be concerned about excess money supply growth but cannot really claim that inflation is a problem. In August retail prices fell at an annual rate of 0.4 per cent.

It was rumoured that when Mr Paul Volcker, chairman of the Federal Reserve Board, met Mr Karl Otto Poehl, president of the West German Bundesbank, last month they agreed on a co-ordinated programme of interest rate cuts.

Recent events have suggested this was not the case, although a cut in the West German discount rate at the next Bundesbank council meeting on September 11 is not ruled out. Japan has not been making any conciliatory noises on the subject and Mr Satoshi Sumita, governor of the Bank of Japan, has said several times that monetary policy has been eased far enough. Last week he said that now was not the time for a further easing of credit policy.

US officials have warned on many occasions that the only alternative to faster economic growth in West Germany and Japan is a further weakening of the dollar, to correct the trade imbalance.

Once today's US Labor Day holiday is over the pressure against the dollar is likely to increase.

£ IN NEW YORK

Aug 29	Close	Prev. close
Spot	$1.4875-1.4885	$1.4765-1.4775
1 month	0.55-0.53 pm	0.51-0.49 pm
3 months	1.51-1.49 pm	1.47-1.45 pm
12 months	5.17-5.10 pm	4.93-4.83 pm

Forward premiums and discounts apply to the US dollar

CURRENCY MOVEMENTS

August 29	Bank of England Index	Morgan Guaranty Change %
Sterling	71.1	−21.7
U.S. Dollar	110.4	+1.9
Canadian Dollar	77.1	−13.0
Austrian Schilling	131.6	+8.2
Belgian Franc	96.9	−6.3
Danish Kroner	88.3	+0.4
Deutsche Mark	140.4	+18.2
Swiss Franc	169.2	+23.1
Guilder	129.7	+12.0
French Franc	69.7	−13.7
Lira	47.7	−16.0
Yen	216.4	+61.0

Morgan Guaranty changes: average 1980-1982=100. Bank of England Index (base average 1975=100).

OTHER CURRENCIES

Aug. 29	£	$
Arg'tina	1.4940-1.4995	1.0050-1.0080
Aus'alia	2.4450-2.4490	1.6375-1.6395
Brazil	20.46-20.59	13.77-13.84
Finland	7.2790-7.2985	4.9010-4.9030
Greece	197.90-201.10	133.72-135.88
H'kong	11.5950-11.5980	7.8040-7.8060
Iran	112.90*	76.40*
Kuwait	0.4330-0.4336	0.2921-0.2922
Lux'burg	62.75-62.85	42.15-42.25
Malaysia	3.8505-3.8575	2.6000-2.6050
N'Z'land	3.0516-3.0595	2.0495-2.0555
Saudi Ar.	5.5575-5.5630	3.7500-3.7510
Sin'pore	3.1890-3.1940	2.1520-2.1550
S.Af (Cm)	3.7850-3.8170	2.5510-2.5575
S.Af.(Fn)	7.2560-7.6985	4.8780-5.1285
U.A.E.	5.4425-5.4480	3.6725-3.6735

* Selling rate.

POUND SPOT—FORWARD AGAINST POUND

Aug 29	Day's spread	Close	One month	% p.a.	Three months	% p.a.
US	1.4740-1.4890	1.4880-1.4890	0.54-0.51c pm	4.23	1.56-1.51pm	4.12
Canada	2.0603-2.0727	2.0625-2.0635	0.35-0.27c pm	1.80	0.92-0.77pm	1.64
Nethlnd.	3.41-3.42½	3.41-3.42	1½-1¼c pm	4.83	4⅛-3⅞pm	4.69
Belgium	62.57-62.85	62.75-62.85	15-12c pm	2.58	42-36pm	2.48
Denmark	11.45½-11.48½	11.45½-11.46½	¼ore pm-½ore dis	−0.13	2⅞-1⅞pm	0.79
Ireland	1.1015-1.1080	1.1015-1.1025	par-0.10p dis	−0.54	0.10-0.30dis	−0.73
W. Ger.	3.02-3.03½	3.02½-3.03½	1½-1¼pf pm	5.45	4¼-4pm	5.45
Portugal	215.05-217.32	215.82-217.25	100-165c dis	−7.36	280-460dis	−6.85
Spain	198.89-199.31	198.85-198.95	55-75c dis	−3.92	125-180dis	−3.07
Italy	2085-2087	2085-2086	2-5lire dis	−2.01	7-11dis	−1.73
Norway	10.82½-10.88½	10.85-10.86	3½-4ore dis	−4.15	11½-12½dis	−4.40
France	9.91-9.95	9.92-9.93	2½-2⅛c pm	2.80	6⅞-5⅞pm	2.48
Sweden	10.22½-10.26¼	10.24¼-10.25¼	⅛pm-⅛ore dis	0.07	1⅛-⅜pm	0.29
Japan	229½-231	229½-230½	1-⅞y pm	4.89	3-2⅞pm	5.00
Austria	21.27-21.39	21.27-21.31	9-8gro pm	4.79	24⅞-21½pm	4.29
Switz.	2.44-2.45	2.44-2.45	1⅛-1⅞c pm	5.83	3½-3⅛pm	5.52

Belgian rate is for convertible francs. Financial franc 63.50-63.60. Six-month forward dollar 2.86-2.81c pm, 12-month 5.20-5.10c pm.

CURRENCY RATES

Aug. 29	Bank rate %	Special Drawing Rights	European Currency Unit
Sterling	—	0.816404	0.692217
US $	5½	1.20669	1.02448
Canadian $	8.63	*	1.49833
Austria Sch	4	17.4371	14.7884
Belgian Fr.	8	51.2869	43.4866
Danish Kr.	7	9.37150	7.94587
D'mark	3½	2.47664	2.10018
Guilder	4½	2.79455	2.36932
French Fr.	9½	8.11452	6.88246
Lira	12	1708.57(1)	1449.13
Yen	3½	188.396	159.563
Norway Kr.	8	8.84349	7.51200
Span'h Pta.	—	162.322	137.434
Swedish Kr.	8	8.34686	7.09094
Swiss Fr	4	1.98861	1.69470
Greek Drch	20½	—	138.325
Irish Punt	—	0.899944(1)	0.763683

* C$/SDR rate for August 28 1.68958.
(1) SDR Rate for August 28.

EXCHANGE CROSS RATES

Aug.29	£	$	DM	YEN	F Fr.	S Fr.	H Fl.	Lira	C $	B Fr.
£	1.	1.489	3.030	230.0	9.925	2.446	3.415	2086.	2.063	62.80
$	0.672	1.	2.036	154.5	6.668	1.642	2.294	1401.	1.386	42.20
DM	0.330	0.491	1.	75.91	3.276	0.807	1.127	688.3	0.681	20.73
YEN	4.348	6.472	13.17	1000.	43.15	10.63	14.85	9067.	8.970	273.0
F Fr.	1.008	1.500	3.053	231.7	10.	2.463	3.441	2101.	2.079	63.27
S Fr.	0.409	0.609	1.239	94.07	4.059	1.	1.397	853.0	0.844	25.69
H Fl.	0.293	0.436	0.887	67.35	2.906	0.716	1.	610.7	0.604	18.39
Lira	0.480	0.714	1.453	110.3	4.759	1.172	1.637	1000.	0.989	30.11
C $	0.485	0.722	1.469	111.5	4.811	1.185	1.655	1011.	1.	30.44
B Fr.	1.592	2.370	4.826	366.2	15.80	3.893	5.438	3321.	3.285	100.

Yen per 1,000; French Fr per 10; Lira per 1,000; Belg Fr per 100.

FORWARD RATES AGAINST STERLING

	Spot	1-month	3-month	6-month	12-month
Dollar	1.4885	1.4833	1.4732	1.4562	1.4370
D-Mark	3.0300	3.0162	2.9896	2.9558	2.8576
French Franc	9.9250	9.9012	9.8627	9.8153	9.7286
Swiss Franc	2.4450	2.4332	2.4109	2.3811	2.3227
Japanese Yen	230.00	229.05	227.15	224.66	219.81

EMS EUROPEAN CURRENCY UNIT RATES

	Ecu central rates	Currency amounts against Ecu August 29	% change from central rate	% change adjusted for divergence	Divergence limit %
Belgian Franc	43.1139	43.4866	+0.86	+0.77	±1.5366
Danish Krone	7.81701	7.94587	+1.65	+1.55	±1.6403
German D-mark	2.11083	2.10018	−0.50	−0.60	±1.1127
French Franc	6.87316	6.88246	+0.14	+0.04	±1.3659
Dutch Guilder	2.37833	2.36932	−0.38	−0.48	±1.5069
Irish Punt	0.764976	0.763683	−0.17	−0.18	±1.6683
Italian Lira	1476.95	1449.13	−1.88	−1.98	±4.0734

Changes are for Ecu, therefore positive change denotes a weak currency. Adjustment calculated by Financial Times.

LIFFE LONG GILT FUTURES OPTIONS

Strike price	Calls—Last Dec	Mar	June	Sept	Puts—Last Dec	Mar	June	Sept
116	5.55	6.25	—	—	0.32	1.15	—	—
118	4.36	5.20	—	—	0.80	1.54	—	—
120	3.15	4.16	—	—	1.35	2.49	—	—
122	2.10	3.14	—	—	2.34	3.28	—	—
124	1.23	2.34	—	—	3.47	4.48	—	—
126	0.52	1.46	—	—	5.12	6.26	—	—
128	0.29	1.12	—	—	6.53	7.36	—	—
130	0.10	[illegible]	—	—	[illegible]	[illegible]	—	—

Estimated volume total, Calls 340, Puts 105
Previous day's open int. Calls 6,918, Puts 2,055

LIFFE £/$ OPTIONS
£25,000 (cents per £1)

Strike price	Calls—Last Sept	Oct	Nov	Dec	Puts—Last Sept	Oct	Nov	Dec
1.30	18.70	—	18.70	—	0.00	—	—	0.15
1.35	13.70	13.70	13.70	13.70	0.00	0.03	0.25	0.51
1.40	8.70	8.70	8.70	8.70	0.00	0.22	0.85	1.41
1.45	3.70	4.27	4.85	5.00	0.00	1.25	2.37	3.12
1.50	0.65	1.85	2.38	2.76	2.20	3.63	4.88	5.70
1.55	0.00	0.48	0.89	1.32	7.15	7.43	8.90	9.59
1.60	0.00	0.09	0.38	0.49	11.85	12.07	12.92	13.59

Estimated volume total, Calls 215, Puts 100
Previous day's open int. Calls 3,666, Puts 3,481

PHILADELPHIA SE £/$ OPTIONS
£12,500 (cents per £1)

Strike price	Calls—Last Sept	Oct	Nov	Dec	Puts—Last Sept	Oct	Nov	Dec
1.30	18.95	—	—	—	—	—	0.05	0.25
1.35	13.95	13.95	—	13.95	—	0.05	0.15	0.40
1.40	8.95	8.95	9.05	9.25	—	0.25	0.75	1.30
1.45	4.15	4.65	5.15	5.45	0.15	1.05	2.05	2.65
1.50	0.75	1.75	2.50	2.95	1.75	3.15	4.05	5.05
1.55	—	0.40	1.00	1.45	5.85	6.30	7.20	8.00
1.60	—	0.05	0.30	0.60	10.95	11.20	11.75	12.20

Previous day's open int. Calls 39,715, Puts 37,468
Previous day's volume, Calls 850, Puts 1,284

LIFFE US TREASURY BOND FUTURES OPTIONS

Strike price	Calls—Last Dec	Mar	June	Sept	Puts—Last Dec	Mar	June	Sept
90	11.61	—	—	—	0.05	—	—	—
92	9.48	9.37	—	—	0.12	0.59	—	—
94	7.61	8.02	—	—	0.25	1.02	—	—
96	5.54	6.40	—	—	0.45	1.62	—	—
98	4.50	5.25	—	—	1.14	2.48	—	—
100	3.33	4.18	—	—	1.61	3.40	—	—
102	2.30	3.22	—	—	2.58	4.44	—	—
104	1.42	2.38	—	—	4.06	5.38	—	—

Estimated volume total, Calls 4, Puts 10
Previous day's open int. Calls 465, Puts 933

LONDON SE £/$ OPTIONS
£12,500 (cents per £1)

Strike price	Calls—Last Sept	Oct	Nov	Dec	Puts—Last Sept	Oct	Nov	Dec
130	18.80	—	—	—	0.50	—	—	1.30
135	13.90	13.90	13.90	13.90	0.10	0.35	1.05	1.30
140	9.10	9.20	9.40	9.50	0.10	0.35	1.05	1.30
145	3.95	4.95	5.25	5.60	0.20	1.30	2.35	3.15
150	0.70	2.25	2.85	3.50	2.20	3.90	4.95	5.60
155	0.05	0.60	1.10	1.55	5.80	8.15	7.80	8.60
160	0.10	—	—	0.75	11.00	—	—	12.30
165	0.00	—	—	0.30	—	—	—	13.46
170	—	—	—	0.10	—	—	—	18.70

Previous day's open int. Calls 4,695, Puts 2,392
Volume, 12

LIFFE—EURODOLLAR OPTIONS
$1m points of 100%

Strike price	Calls—Last Sept	Dec	Mar	June	Puts—Last Sept	Dec	Mar	June
92.25	2.66	2.12	2.03	—	0.00	0.00	0.00	—
92.50	1.89	1.87	1.79	—	0.00	0.00	0.01	—
92.75	1.85	1.62	1.54	—	0.00	0.00	0.01	—
93.00	1.30	1.37	1.07	—	0.00	0.00	0.01	—
93.25	1.05	1.13	1.07	—	0.00	0.00	0.04	—
93.50	0.80	0.89	0.85	—	0.00	0.02	0.07	—
93.75	0.55	0.66	0.64	—	0.00	0.04	0.11	—

Previous day's open int. Calls 1,581, Puts 2,781
Estimated volume, Calls 231, Puts 110

LONDON

20-YEAR 12% NOTIONAL GILT
£50,000 32nds of 100%

	Close	High	Low	Prev
Sept	121-16	121-16	121-03	121-13
Dec	121-20	121-21	121-08	121-17
March	121-20	—	—	121-17
June	121-20	—	—	121-17

Est. Volume 3,872 (9,862)
Previous day's open int. 17,129 (16,793)
Basis quote (clean cash price of 13% Treasury 2004/08 less equivalent price of near futures contract) −4 to 4 (32nds).

10% NOTIONAL SHORT GILT
£100,000 64ths of 100%

	Close	High	Low	Prev
Sept	101-31	101-34	101-29	101-30
Dec	101-36	101-36	101-31	101-35
March	101-34	—	—	101-35

Est. Volume 154 (101)
Previous day's open int. 1,220 (1,248).

THREE-MONTH STERLING
£500,000 points of 100%

	Close	High	Low	Prev
Sept	90.32	90.32	90.25	90.29
Dec	90.79	90.80	90.69	90.74
March	90.84	90.84	90.83	90.80
June	90.74	90.74	90.74	90.70
Sept	90.47	90.45	90.41	—

Est. Volume 1,763 (1,782)
Previous day's open int. 15,134 (15,062).

FT-SE 100 INDEX
£25 per full index point

	Close	High	Low	Prev
Sept	168.50	169.00	165.50	165.06
Dec	171.75	172.40	170.70	168.85
March	174.85	—	—	171.85

Est. Volume 531 (304)
Previous day's open int. 2,693 (2,580)

THREE-MONTH EURODOLLAR
$1m points of 100%

	Close	High	Low	Prev
Sept	94.30	94.30	94.19	94.19
Dec	94.38	94.38	94.29	94.22
March	94.22	94.22	94.15	94.15
June	94.10	94.10	93.96	93.98
Sept	93.85	—	—	93.78
Dec	93.65	—	—	93.53

Est. Volume 4,670 (3,301)
Previous day's open int. 2,320 (22,510)

US TREASURY BONDS
8% $100,000 32nds of 100%

	Close	High	Low	Prev
Sept	102-20	102-22	101-29	101-26
Dec	102-18	101-29	101-18	101-08
March	100-21	—	—	100-10

Est. Volume 4,385 (6,611)
Previous day's open int. 4,831 (5,083)

CHICAGO

U.S. TREASURY BONDS (CBT) 8%
$100,000 32nds of 100%

	Latest	High	Low	Prev
Sept	102-20	102-22	102-01	101-13
Dec	101-23	102-00	101-11	100-25
Mar	100-26	101-00	100-13	99-31
June	99-30	100-02	99-18	99-02
Sept	99-01	99-03	98-22	98-07
Dec	98-07	98-09	98-01	97-14
Mar	97-16	97-16	97-10	96-22
Jun	96-26	96-28	96-20	96-00
Sept	—	—	—	—
Dec	95-20	—	—	94-25
Mar	95-04	—	—	94-10

CERT. DEPOSIT (IMM)
$1m points of 100%

	Close	High	Low	Prev
Sept	94.65	0	0	94.54
Dec	94.72	0	0	94.58

US TREASURY BILLS (IMM)
$1m points of 100%

	Close	High	Low	Prev
Sept	94.94	94.95	94.80	94.81
Dec	95.05	95.07	94.92	94.93
March	95.05	95.05	94.91	94.91
June	94.92	94.92	94.77	94.77
Sept	94.73	94.74	94.59	94.54
Dec	94.50	94.50	94.36	94.33
March	94.00	93.97	93.95	93.93
June	93.65	93.71	93.61	93.63

THREE-MONTH EURODOLLAR (IMM)
$1m points of 100%

	Close	High	Low	Prev
Sept	94.29	94.30	94.18	94.18
Dec	94.38	94.38	94.22	94.22
March	94.23	94.25	94.12	94.12
June	94.06	94.10	93.98	93.98
Sept	93.79	93.81	93.73	93.69
Dec	93.50	93.51	93.47	93.34
March	93.20	93.14	93.14	93.09
June	92.76	92.79	92.79	92.68

CURRENCY FUTURES

POUND—$ (FOREIGN EXCHANGE)

Spot	1-mth.	3-mth.	6-mth.	12-mth.
1.4885	1.4833	1.4732	1.4602	1.4370

IMM—STERLING Se per £

	Close	High	Low	Prev
Sept.	1.4905	1.4925	1.4755	1.4765
Dec.	1.4755	1.4780	1.3620	1.4620
March	1.4625	1.4660	1.4520	1.4495
June	1.4475	1.4500	1.4450	1.4340

LIFFE—STERLING £25,000 $ per £

	Close	High	Low	Prev
Sept	1.4845	1.4845	1.4781	1.4765
Dec	1.4697	1.4705	1.4605	1.4620
March	1.4565	—	—	1.4495

Est. Volume 336 (174)
Previous day's open int. 1,430 (1,367)

DOLLAR SPOT—FORWARD AGAINST DOLLAR

Aug 29	Day's spread	Close	One month	% p.a.	Three months	% p.a.
UK†	1.4740-1.4890	1.4880-1.4890	0.54-0.51c pm	4.23	1.56-1.51pm	4.12
Ireland†	1.3364-1.3520	1.3505-1.3515	0.50-0.40c pm	4.03	1.70-1.40pm	4.63
Canada	1.3870-1.3950	1.3870-1.3880	0.28-0.31c dis	−2.54	0.91-0.96dis	−2.68
Nethlnd.	2.2910-2.3300	2.2935-2.2945	0.12-0.08c pm	0.54	0.36-0.31pm	0.58
Belgium	42.08-42.54	42.15-42.25	4-6c dis	−1.41	16-20dis	−1.69
Denmark	7.69½-7.77½	7.69¾-7.70¼	1.40-2.00ore dis	−5.49	6.00-6.60dis	−3.25
W. Ger.	2.0300-2.0580	2.0345-2.0355	0.25-0.22pf pm	1.40	0.71-0.68pm	1.34
Portugal	145½-146½	145½-145¾	120-160c dis	−11.47	330-470dis	−10.93
Spain	133.40-134.60	133.45-133.55	80-100c dis	−8.03	220-250dis	−6.99
Italy	1,400¾-1,418½	1,400¾-1,401¼	6¾-7¼lire dis	−5.93	19½-21dis	−5.72
Norway	7.28-7.35	7.29-7.29½	4.80-5.20ore dis	−8.19	15.3-15.7dis	−8.46
France	6.65¾-6.73½	6.66½-6.67	0.75-0.85c dis	−1.43	2.60-2.80dis	−1.61
Sweden	6.88-6.93	6.88½-6.89	2.00-2.30ore dis	−3.73	6.00-6.40dis	−3.58
Japan	154.15-156.30	154.45-154.55	0.14-0.09y pm	0.89	0.38-0.33pm	0.91
Austria	14.30-4.46½	14.33-14.33½	1-½gro pm	0.62	2½-½pm	0.42
Switz.	1.6370-1.6600	1.6415-1.6425	0.25-0.21c pm	1.70	0.67-0.60pm	1.53

† UK and Ireland are quoted in US currency. Forward premiums and discounts apply to the US dollar and not to the individual currency.

Belgian rate is for convertible francs. Financial franc 83.50-83.60.

EURO-CURRENCY INTEREST RATES

August 29	Short term	7 Days notice	1 Month	Three Months	Six Months	One Year
Sterling	10-10¼	10-10¼	10-10⅛	9$\frac{13}{16}$-9$\frac{15}{16}$	9⅝-9$\frac{11}{16}$	9$\frac{9}{16}$-9$\frac{11}{16}$
U.S. Dollar	5⅞-6	5⅞-6	5$\frac{11}{16}$-5$\frac{13}{16}$	5$\frac{11}{16}$-5$\frac{13}{16}$	5$\frac{11}{16}$-5$\frac{13}{16}$	5$\frac{11}{16}$-5$\frac{13}{16}$
Can Dollar	7⅞-8⅝	8⅛-8⅜	8$\frac{1}{16}$-8$\frac{3}{16}$	8⅛-8⅜	8⅛-8⅜	8⅜-8⅞
D Guilder	5⅜-5⅝	5$\frac{7}{16}$-5$\frac{9}{16}$	5¼-5⅜	5⅛-5¼	5$\frac{1}{16}$-5$\frac{3}{16}$	5$\frac{1}{16}$-5$\frac{3}{16}$
Sw. Franc	1⅝-1⅞	2¾-3	4$\frac{1}{16}$-4$\frac{3}{16}$	4⅛-4¼	4⅛-4¼	4⅛-4¼
Deutschmrk	4$\frac{5}{16}$-4$\frac{7}{16}$	4$\frac{5}{16}$-4$\frac{7}{16}$	4$\frac{5}{16}$-4$\frac{7}{16}$	4$\frac{5}{16}$-4$\frac{7}{16}$	4$\frac{5}{16}$-4$\frac{7}{16}$	4$\frac{5}{16}$-4$\frac{7}{16}$
Fr. Franc	7-7⅛	7-7⅛	7⅛-7¼	7¼-7⅜	7$\frac{5}{16}$-7$\frac{7}{16}$	7⅝-7½
Italian Lira	10-11⅛	11-13	11¾-12¾	11½-12	10⅞-11⅛	10¾-11¼
B.Fr.(Fin)	7-7¼	7$\frac{3}{16}$-7$\frac{5}{16}$	7$\frac{3}{16}$-7$\frac{5}{16}$	7$\frac{3}{16}$-7$\frac{5}{16}$	7$\frac{3}{16}$-7$\frac{5}{16}$	7⅛-7⅜
B.Fr.(Con)	6⅞-7⅜	7-7⅛	7⅜-7⅞	7⅜-7⅞	7⅛-7⅝	7-7¼
Yen	5⅛-5¼	5-5⅛	5⅛-5$\frac{5}{16}$	4¾-4$\frac{13}{16}$	4$\frac{11}{16}$-4¾	4⅝-4$\frac{11}{16}$
D. Krone	8½-9	9¾-10¼	9¾-10¼	10-10⅛	10¼-10¾	10¼-10¾
Asian $ (Sng)	5$\frac{13}{16}$-6$\frac{1}{16}$	5⅞-6	5$\frac{13}{16}$-5$\frac{15}{16}$	5$\frac{11}{16}$-5$\frac{13}{16}$	5$\frac{11}{16}$-5$\frac{13}{16}$	5$\frac{11}{16}$-5$\frac{13}{16}$

Long-term Eurodollars: two years 6⅜-6⅝ per cent; three years 7-7⅛ per cent; four years 7⅜-7½ per cent; five years 7⅝-7⅞ per cent nominal. Short-term rates are call for US Dollars and Japanese Yen; others, two days' notice.

MONEY MARKETS

Little but technicalities

LONDON INTEREST rates showed very little change last week. Three-month interbank rose $\frac{1}{16}$ per cent to 9$\frac{13}{16}$-9$\frac{15}{16}$ per cent on Tuesday, the first day's trading after the UK bank holiday, but then eased to 9¾-9⅞ per cent ahead of the West German Bundesbank council meeting. When the Bundesbank failed to cut its discount rate three-month money firmed to 9$\frac{13}{16}$-9$\frac{15}{16}$ per cent on Thursday and remained at that level on Friday.

> UK clearing bank base lending rate 10 per cent since May 22

Sterling was tied very closely to the dollar, and if the US currency falls below DM 2.00 this week there seems no reason to believe the pound's fall below DM 3.00 will be long delayed. On Friday sterling fell to a record closing low of DM 3.03, in spite of steady oil prices, and a reasonable set of UK trade figures

The visible trade deficit narrowed to £588m from £823m, and the current account just remained in surplus, at £12m.

In a very quiet week two of the more notable events were technicalities. The Bank of England reminded the market that banking make-up day on September 17 will produce the last set of figures based on mid-month calculations. From October the UK money supply and banking data will be collected at the end of the month.

In Paris the Bank of France said it was holding discussions with the commercial banks with the intention of ending the daily fixing of call money. By the end of the year the central bank hopes to publish an indicative rate at the end of each day, based on quotation from the commercial banks.

NEW YORK RATES
(4 pm)

Prime rate	7½
Broker loan rate	6⅞-7
Fed funds	5¾
Fed funds at intervention	—
Treasury Bills & Bonds	
One month	5.02
Two month	5.24
Three month	5.29
Six month	5.38
One year	5.51
Two year	5.94
Three year	6.11
Four year	6.34
Five year	6.42
Seven year	6.72
10 year	6.93
30 year	7.21

BANK OF ENGLAND TREASURY BILL TENDER

	Aug. 29	Aug. 22		Aug. 29	Aug. 22
Bills on offer	£100m	£100m	Top Accepted rate of discount	9.3657%	9.2654%
Total of applications	£430m	£535m	Average rate of discount	9.3369%	9.2347%
Total allocated	£100m	£100m	Average yield	9.56%	9.45%
Minimum accepted bid	£97.665	£97.69	Amount on offer at next tender	£100m	£100m
Allotment at minimum level	16%	88%			

WEEKLY CHANGE IN WORLD INTEREST RATES

LONDON	Aug. 29	change	NEW YORK	Aug. 29	change
Base rates	10	Unch'd	Prime rates	7½	−½
7 day interbank	10¼	−⅛	Federal funds	5¾	−⅛
3mth interbank	9⅞	+$\frac{1}{16}$	3 Mth. Treasury Bills	5.32	−0.19
Treasury Bill Tender	9.3369	+0.1022	6 Mth. Treasury Bills	5.38	−0.28
Band 1 Bills	9⅞	Unch'd	3 Mth. C D	5.42	−0.28
Band 2 Bills	9$\frac{13}{16}$	Unch'd			
Band 3 Bills	9¾	Unch'd	FRANKFURT		
Band 4 Bills	9$\frac{11}{16}$	Unch'd	Lombard	5.5	Unch'd
3 Mth. Treasury Bills	9⅜	+⅛	One mth. Interbank	4.585	Unch'd
1 Mth. Bank Bills	9$\frac{13}{16}$	Unch'd	Three month	4.475	Unch'd
3 Mth. Bank Bills	9$\frac{11}{16}$	Unch'd			
			PARIS		
TOKYO			Intervention Rate	7	Unch'd
One month Bills	4.64375	+0.0625	One mth. Interbank	7⅛	Unch'd
Three month Bills	4.71875	Unch'd	Three month	7	[illegible]
BRUSSELS			MILAN		
One month	7¼	+⅛	One month	11$\frac{3}{16}$	−⅜
Three month	7⅛	+⅛	Three month	11⅞	Unch'd
AMSTERDAM			DUBLIN		
One month	5¾	+⅛	One month	10¼	Unch'd
Three month	5⅜	+⅛	Three month	10	−¼

London—band 1 bills mature in up to 14 days, band 2 bills 15 to 33 days, band 3 bills 34 to 63 days and band 4 bills 64 to 91 days. Rates quoted represent Bank of England buying or selling rates with the money market. In other centres rates are generally deposit rates in the domestic money market and their respective changes during the week.

FT LONDON INTERBANK FIXING

(11.00 a.m. August 29)

Three months US dollars		Six months US dollars	
bid 5 $\frac{11}{16}$	Offer 5 $\frac{13}{16}$	bid 5 ⅝	Offer 5 ¾

The fixing rates are the arithmetic means, rounded to the nearest one-sixteenth, of the bid and offered rates for $10m quoted by the market to five reference banks at 11 am each working day. The banks are National Westminster Bank, Bank of Tokyo, Deutsche Bank, Banque Nationale de Paris and Morgan Guaranty Trust.

LONDON MONEY RATES

August 29	Over night	7 days notice	Month	Three Months	Six Months	One Year
Interbank	8-11	10⅛-10¼	10-10⅛	9$\frac{13}{16}$-9$\frac{15}{16}$	9⅝-9$\frac{11}{16}$	9$\frac{9}{16}$-9$\frac{11}{16}$
Sterling CDs	—	—	10-9⅞	9$\frac{13}{16}$-9$\frac{3}{4}$	9⅝-9⅝	9½-9⅜
Local Authority Deps.	10¼	10¼	10	9$\frac{15}{16}$	9¾	9⅝
Local Authority Bonds	—	—	10¼	10	[illegible]	[illegible]
Discount Mkt. Depos	9-10¼	9⅞-10¼	10	9⅞	—	—
Company Deposits	10¼	10¼	10	9⅞	9¾	9⅝
Finance House Depos	—	—	10	9⅞	9¾	9⅝
Treasury Bills (Buy)	—	—	9$\frac{13}{16}$	9$\frac{11}{16}$	—	—
Bank Bills (Buy)	—	—	9⅞	9$\frac{11}{16}$	—	—
Fine Trade Bills (Buy)	—	—	10⅜	10¼	10	—
Dollar CDs	—	—	5.80-5.75	5.80-5.75	5.65-5.60	5.60-5.55
SDR Linked Depos	—	—	6⅛-6	6⅛-6	6-5⅞	6-5⅞
ECU Linked Depos	—	—	7⅝-7½	7⅝-7½	7⅝-7½	7⅝-7½

Treasury Bills (sell): one month 9⅝ per cent; three months 9½ per cent. Bank Bills (sell): one month 9⅞ per cent; three months 9$\frac{13}{16}$-9$\frac{9}{16}$ per cent. Treasury Bills: Average tender rate of discount 9.3369 per cent. ECGD Fixed Finance Scheme IV reference rate July 2 to August 5 (inclusive): 10.005 per cent. Local Authority and Finance Houses seven days' notice, others seven days' fixed. Finance Houses Base Rate 10 per cent from September 1 1986. Bank Deposit Rates for sums at seven days' notice 4.35-4.375 per cent. Certificates of Tax Deposit (Series 6): Deposit £100,000 and over held under one month 10 per cent; one-three months 9¾ per cent; three-six months 9½ per cent; six-nine months 9½ per cent; nine-12 months 9½ per cent. Under £100,000 6¼ per cent from August 21. Deposits held under Series 5 6¼ per cent. Deposits withdrawn for cash 6¼ per cent.

MONEY RATES

August 29	Over-night	One Month	Two Months	Three Months	Six Months	Lombard Inter'n'tn
Frankfurt	4.00-4.50	4.45-4.60	4.40-4.55	4.40-4.55	4.40-4.55	5.5
Paris	7⅛	7-7⅛	7$\frac{1}{16}$-7$\frac{3}{16}$	7-7⅛	7-7⅛	7
Zurich	⅞-1⅛	4¼-4½	—	4¼-4½	—	—
Amsterdam	5⅝	5½-5⅝	—	5⅜-5½	5⅜-5½	—
Tokyo	4.65625	4.65375	—	4.71875	—	—
Milan	11⅛-11½	11-11⅛	—	11-11⅛	—	—
Brussels	7⅛	7⅛-7¼	—	7⅛-7¼	—	—
Dublin	9⅜-9⅝	9¾-10	10$\frac{1}{16}$-10	10$\frac{1}{16}$-10	10$\frac{1}{16}$-10	—